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KYRGYZSTAN BRIEF



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ABOUT IPP

The Institute for Public Policy (IPP) is an independent, non-partisan research and policy-making institution, based in Bishkek. Its goals are to develop and promote participatory approach in establishing public policy; to strengthen expert analysis in order to promote effective decision-making in matters of public policy and to create an independent platform for dialogue on public policy issues. The Institute provides expert consulting, research and surveys on Central Asian affairs, conflict management services as well as implementation of educational and cultural projects aimed at good governance.

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KYRGYZSTAN AND UZBEKISTAN: FROM ETERNAL FRIENDSHIP TO POLICY-BASED ENGAGEMENT

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In 1996, Kyrgyzstan signed a Treaty on Eternal Friendship with Uzbekistan. At that time, many observers predicted that such friendship would grow in strength. Kyrgyz diplomats saw Uzbekistan as a natural ally because of their common past and present challenges. Kyrgyz statesmen also saw Uzbekistan as a reliable partner in resisting pressure from their formidable neighbor, China.

Ironically, in the years that followed, China turned out to be the more reliable and predictable partner for Kyrgyzstan, while the “eternal friendship” with Uzbekistan saw cracks form right after the signing of the 1996 document. The period of initial cooperation gave way to a protracted period of tension, and even to episodes of outright hostility. Against this backdrop, it became evident that few Kyrgyz diplomats possessed the necessary expertise and knowledge about Uzbekistan, or the environment in which its political elites operate. The same was true of Uzbek foreign policy makers.

Perhaps the greatest strain on relations was presented by the difference in strategies for economic and political development chosen by each country. While Kyrgyzstan chose a path of decentralization and liberal economic reform, Uzbekistan pursued a policy of economic protectionism and centralization of power in the hands of a single ruler. While Kyrgyzstan’s leaders committed themselves to democratic reforms, their Uzbek counterparts embarked on building a strong state that soon turned into a dictatorship.

The difference in symbolic meaning between the mythical birds that appear on the Uzbek and Kyrgyz state emblems, Semurg (epitomizing national Renaissance) and Manas’ White Falcon (epitomizing a yearning for freedom), is perhaps representative of the prevailing values in society

and differing trajectories of development. While the country of Semurg puts statehood above individual liberties and freedoms, the country of the White Falcon can go as far as to undermine its statehood when the ideals of freedom are at stake. Kyrgyzstan’s “Tulip Revolution of March and Uzbekistan’s Andijan events in May, 2005 amply demonstrated this difference once again.

Despite its importance, Uzbekistan has not been in Kyrgyzstan’s top foreign priority agenda.

Despite differing attitudes to the issues of statehood and demo-cratization, with resulting ideological preferences, the necessity for a long-term, mutually-beneficial relationship will always remain a key issue on the agendas of both countries. Despite its importance, Uzbekistan has not been in Kyrgyzstan’s top foreign priority agenda. At the same time, Kyrgyzstan’s policy toward Uzbekistan is characterized by inconsistencies and lack of transparency. Current policy attitudes on Uzbekistan seem to be determined mainly by spontaneously emerging needs of policy-makers to react in some way to numerous hindrances they face in bilateral relations.

This paper examines current problems and challenges in bilateral relations between Uzbekistan and Kyrgyzstan. It also analyzes the institutional environments in which policy-makers in both countries operate and obstacles they face. Given all risks and difficulties in bilateral relations, the paper argues that policy-makers in both countries should have realistic expectations from each other. Confidence building measures and the policy of cautious incrementalism has to shape not only official foreign policy doctrines but also public policy attitudes.

Bilateral issues and mutual public perceptions

Following the 1996 agreement, several keystone events had a dramatic impact on public perceptions in Kyrgyzstan about Uzbekistan: the incursion of the Batken province by a group of Islamic militants in 1999 and 2000, the border delimitation crisis of 1999, the unsuccessful attempt by the two countries to swap enclave-surrounding territories in 2001, the introduction of a visa regime in 2000 and the Andijan events of 2005. Among the recurring issues that affect Kyrgyz public's perceptions of Uzbekistan are the annual negotiations on Uzbek gas and fuel as well as talks on water and energy regulation. These issues have usually resulted in a negative imagery of Uzbekistan. Recurring border incidents which include landmine explosions, shootings, and physical assault of civilians by border troops of both countries have added to the atmosphere of tension.

Some positive events that Kyrgyzstani public associates with Uzbekistan include the signing of the Treaty on Eternal Friendship, Kyrgyz-Uzbek negotiations in multilateral institutions (SCO, CIS, Evrazes), material support from Tashkent that came right after the March events in 2005, and the infrequent Uzbekistani concessions to Kyrgyzstan related to the supplies of Uzbek gas.

While events played a key role, three key issues have dominated the agenda in bilateral relations. The first is related to border demarcation. The first is related to border demarcation. The second problematic area is natural resources and their management. The third problem area involves political issues. Each of these deserves particular attention because it has the potential to impact the dynamics of future relations.

Troubles at the borders

Uzbekistan's economic policies, which favored protectionism and closed

The rich cultural exchange that characterized the region for centuries has become minimal

markets, prompted the Uzbek authorities to reinforce their borders with all their Central Asian neighbors. In 2000, Uzbekistan imposed a visa regime that applied to the citizens of Kyrgyzstan.

While residents of southern Kyrgyzstan are allowed to travel up to 100 kilometers into Uzbekistan or to transit this territory, more extensive travel (such as to Tashkent) requires a visa. Kyrgyzstan responded by instituting a similar visa regime.

These restrictions disrupted traditional patterns of trade and social interaction in the Ferghana Valley. The rich cultural exchange that characterized the region for centuries has become minimal. The fact that neither country maintains a consulate in any of the border cities is a source of frustration for many residents. For example, according to this arrangement, residents of Osh, five kilometers from the Uzbek border, need to travel 600 kilometers north to the capital, Bishkek, in order to receive a visa for travel within Uzbekistan. Similarly, residents of Andijan need to obtain a visa in the Kyrgyz embassy in Tashkent, which is 350 kilometers away.

Following bomb blasts in Tashkent in February 1999, Uzbekistan fortified the borders in the Ferghana Valley as a security measure. Attacks by the Islamic Movement of Uzbekistan (IMU) during the summers of 1999 and 2000 pushed Uzbekistan to take strong steps again. In August 1999, the Uzbek Air Force launched air strikes against alleged IMU positions in southern Kyrgyzstan, reportedly without the consent of the Kyrgyz government. Similarly, the Uzbek security services operated on Kyrgyz territory to capture suspected Islamic extremists. These activities caused public outcry in Kyrgyzstan and contributed to poor relations along the border.

Other problematic areas also caused concern for Kyrgyzstani citizens. Territorial disputes and the process of border demarcation have long been sources of friction between the two countries. Joint work to demarcate the Kyrgyz-Uzbek border began in February 2000, but has proceeded very slowly. According to the International Crisis Group, by February 2002 only 209 out of 1,400 kilometers had been jointly demarcated, although 994 kilometers had been studied. The most contentious points are the 406 kilometers in Osh and Batken regions, which are still being studied by the joint commission.



Demarcation negotiations are impeded by the presence of five Uzbek enclaves on Kyrgyzstani territory. Two in particular have received much media attention, Sokh and Shahimardan, both in the Ferghana Valley. Because Uzbekistan has long viewed these enclaves as strategically important for its security, it sought land corridors that would connect the enclaves with the mainland. In 2001, a secret memorandum on land corridors that was signed between then Uzbek Prime Minister Utkir Sultanov and the Kyrgyz premier Kurmanbek Bakiev created a political scandal in Kyrgyzstan. The opponents of the memorandum argued that it would effectively cut off the Batken province from Kyrgyzstan.

Another problematic aspect of the border delimitation process is unilateral demarcation attempts and the mining of borders. There have been cases of unsanctioned seizure of land by local communities living in villages adjacent to the borders. In 1999, the Uzbek border guards began planting landmines on territories that are regarded as disputed. The move, which was originally designed to thwart the infiltration of Islamic militants, ended up causing numerous civilian casualties. Since 1999, more than a dozen Kyrgyzstani citizens as well as tens of Uzbekistani citizens became victims of mine explosions. Under international pressure, Uzbekistan began removing the landmines. However, there are claims in the Kyrgyz press that some areas along the border have not been completely cleared of mines.

There are numerous press reports that depict widespread practices of harassment, extortion and even attacks by the border troops of both countries on ordinary travelers. In recent years, incidents have been reported of border troopers opening fire on civilians without a particular reason.

The Resources Curse

Two commodities - water and energy - have long served as a source of tension. Uzbekistan is a major supplier of natural gas to Kyrgyz consumers. Kyrgyzstan controls the water supply to Uzbekistan, especially its Ferghana Valley provinces. For several consecutive years, the Uzbek suppliers of natural gas cut

off the gas supply to Kyrgyzstan, claiming that Kyrgyzstan has a large outstanding debt. Kyrgyz officials claimed that the Uzbeks have not paid for water. Uzbek officials claim that water is a freely available natural resource, and that the Kyrgyz should not charge money for it. Both parties often refer to a barter agreement signed in 1998.

According to local experts, a major problem with this barter agreement is that it did not take into account the seasonal need of commodities. Kyrgyzstan is in great need of energy supplies in the cold winter months. It is not in much need of energy in the late spring or early summer – the very time when the downstream countries need water for irrigation. As frequently happens, when Kyrgyzstan is not convinced that enough gas, coal and mazut will be provided by Uzbekistan in winter, it protects itself by producing more electricity – thus dumping its water reservoirs in the winter months.

The large amounts of water released cause the lakes to flood. Up to 350,000 hectares of land in Navoi and Jizzak Provinces have been flooded, and farms in Namangan Province are under threat. Roads and electricity lines have also been badly hit by floods. According to a January 2002 Uzbek State Channel broadcast, officials have estimated the total damage inflicted upon Uzbekistan at US\$ 770 million. Some Uzbekistani officials threatened to take Kyrgyzstan to the International Court of Justice.

Uzbekistan has reportedly used Kyrgyzstan's dependence on Uzbek gas to pressure it into concessions on political issues as well. For example, when Uzbekistan cut off gas supplies to Kyrgyzstan in 2001, the Kyrgyz press linked it with the Uzbek desire to compel Kyrgyzstan's compliance with territorial demands and claims for land corridors to Uzbek enclaves.

Political antagonism

Cooperation between Uzbekistan and Kyrgyzstan is additionally hampered by differences in the way the two states are governed. The more open society in Kyrgyzstan presents a challenge to President Karimov. In Uzbekistan, the media and dissemination of

information are tightly controlled, and there is little political pluralism. Puppet political parties have been set up by the regime to create an image of a democratic process. Open discussions on policies and policy outcomes, which were tolerated to a certain degree in the early 1990s, have become rare in Uzbekistan. According to the IPP's numerous informal interviews with Uzbek officials, the desire "to please the boss" prompts many officials at the local levels to control and limit the supply of information to the upper echelons of power.

Although data on Uzbekistan's process of forming policy, especially foreign policy, is sketchy, what is known is that policy-making is highly centralized. At the apex of policy-formation is President Islam Karimov. As described below, his personal preferences determine the general course of foreign policy process. President Karimov's administration is the dominant force within the policy-formation system. Within the administration, the state advisers to the President play a crucial role as gatekeepers to the President when deciding on foreign policy options. Based on official press statements and interviews, many high-ranking officials tend to rely on the National Security Service for data and information about neighboring countries, rather than on foreign policy institutions.

Within the Ministry of Foreign Affairs, matters dealing with Kyrgyzstan have long been assigned to the Commonwealth of Independent States (CIS) desk. Now the desk on the Shanghai Cooperation Organization (SCO) also deals with some of these matters. Other governmental agencies, such as Uzbekistan's National Gas Company and the Ministry of Agriculture, contribute to policy formation, but they do not play a dominant role. As one Kyrgyz negotiator observed, Uzbek negotiators often cannot decide on even simple matters during bilateral negotiations on borders without referring back to Tashkent. The oblast (district) and rayon (region) administrations, which border Kyrgyzstan, are the least significant actors, despite the fact that they have a direct impact on policies imposed from the center.

Although Uzbek officials claim that national interests drive Uzbekistan's foreign policy, they

Although Uzbek officials claim that national interests drive Uzbekistan's foreign policy, they have so far not been able to clearly formulate these interests

have so far not been able to clearly formulate these interests. Rather, ideology, particularly President Karimov's pronouncement that "Uzbekistan's Future is as a Great State," has long been the most salient aspect of the Uzbek foreign policy. Behind this ideological pronouncement, some Kyrgyz observers see hidden expansionist tendencies of Uzbekistan.

Against this backdrop, President Karimov's statements sometimes add fuel to the fire of distrust. In a February 1999 radio interview, President Karimov accused Akaev of being unable to "do much of anything apart from smile." This statement set public opinion in Kyrgyzstan against Uzbekistan. Kyrgyz parliamentary deputies demanded that cooperation with Uzbekistan be reduced and measures be taken to defend the dignity of the country. Some deputies in Kyrgyzstan were infuriated by former President Askar Akaev's refusal to stand up to Karimov's abuse, and were further annoyed by his reluctance to use Kyrgyzstan's leverage as a supplier of water to Uzbekistan.

In the fall of 2000, in the run up to the Kyrgyz presidential election, relations between the two presidents warmed a bit. In keeping with personalized foreign policy, President Karimov flew to Bishkek to personally support President Akaev. "If I were an ordinary Kyrgyz citizen, I would definitely vote for my friend Askar Akaev," Karimov told Kyrgyz journalists at a press conference. This statement was widely and cynically seen in Kyrgyzstan as a utilitarian move to strengthen Akaev's candidacy, because Karimov could boss him around more easily than another potential president. Observers suggested that Karimov did not want a new Kyrgyz leader who would have been able to stand up to him.

After this brief episode, relations turned sour again. Uzbekistan continued to blame Kyrgyzstan for lenient treatment of "Islamic extremists" in the Ferghana Valley. Following



the incursions of Islamic militants in 2000 and the Andijan uprising in May 2005, the Uzbek official press claimed that “terrorists” have established training bases in Kyrgyzstan and used them to attack government buildings in Uzbekistan. In demanding the extradition of several hundred Uzbek citizens who found refuge in Kyrgyzstan’s Jalalabad region, Uzbekistan effectively accused Kyrgyzstan of “harboring terrorists.”

While bilateral relations have been characterized by tension and even hostility, the cooperation of the two countries within multilateral organizations has been remarkably progressive.

Kyrgyz-Uzbek relations within multilateral regional organizations

Kyrgyzstan and Uzbekistan’s relations within multilateral institutions have been most prominent in two organizations, the CIS and SCO. Paradoxically, within the Commonwealth of Independent State (CIS), Kyrgyzstan and Uzbekistan have put the most emphasis on free trade, economic integration, and cooperation, which obviously contradicts the real state of bilateral relations.

More productive efforts at cooperation are noticeable within the Shanghai Cooperation Organization, where Uzbekistan and Kyrgyzstan have jointly pushed at least one serious initiative, that of questioning the further necessity of the American airbases in Khanabad and Manas. While Uzbekistan was swift to rid itself of the American airbase, Kyrgyz officials are using softer, financially augmented tools to wedge out the Americans. In 2003, Uzbekistan lobbied for moving the SCO Regional Antiterrorism Center from Bishkek to Tashkent, and positioned itself as the military powerhouse of Central Asia.

Uzbekistan was also part of the Collective Security Treaty Organization (CSTO) that unites Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Armenia, but left in 1999, following its independent, anti-Russian posture. Yet, due to the Uzbek-Russian rapprochement following Andijan, talks are currently underway on Uzbekistan re-joining this organization. According to CSTO agreements,

Kyrgyzstan hosts a military airbase in Kant, which was previously viewed with suspicion by Tashkent. Uzbekistan may also agree to host a Russian airbase instead of American troops in Khanabad.

Since 2002, Kyrgyzstan and Uzbekistan have been part of the Organization for Central Asian Cooperation (OCAC). Despite a number of promising head starts, real cooperation within this organization’s framework has been hardly noticeable.

On June 13, 2006, the Kyrgyz parliament ratified Uzbekistan’s joining of the Eurasian Economic Community (EEC). In October 2005, Uzbekistan expressed interest in joining the EEC, promising that it would implement all EEC rules and procedures immediately after joining. Yet, as of June 2006, there were concerns that Uzbekistan was delaying the implementation of some customs and tariffs regulations.

Leaders’ interest in cooperation or avoidance of cooperation is influenced by a set of assumptions they hold about each other. We now turn to these.

Public assumptions that affect the foreign policies of Kyrgyzstan and Uzbekistan towards each other

It is important to understand the assumptions of Uzbek policy makers that affect foreign policy towards Kyrgyzstan. It is equally important to distinguish elite assumptions from popular assumptions. Based on numerous informal interviews with Uzbek officials and citizens, the following general assumptions are discernible:

Elite assumptions

Kyrgyzstan is politically and militarily weak state. A small country the size of two of Uzbekistan’s provinces in population, it is also a hotbed of political and economic problems. Several episodes support this assumption. The first is related to Kyrgyzstan’s handling of the Batken crisis, in which a group of Islamic militants were able to infiltrate Kyrgyz territory without difficulty and succeeded in securing a ransom for some hostages. The second is related to the numerous protests that are allowed within the country, and

which led up to the Tulip Revolution. In the view of Uzbek officials, President Akaev's weakness and inability to take a tough military stand on opposition led to his demise and to dangerous spillover effects in Uzbekistan.

Kyrgyzstan is a source of constant irritation. Its liberal economic policy, namely its joining the World Trade Organization, is viewed as dangerous to Uzbekistan's closed market and protectionist system. Kyrgyzstan is a source of natural resources, namely water and electricity. In the view of Uzbek officials, Kyrgyz officials are difficult to negotiate with, and do not always respect the clauses of agreements. What is particularly irritating in the view of Tashkent is that Kyrgyzstan insists on regarding water flows as a natural commodity for sale, and wants lowland countries to compensate for water management costs.

It is important to note that the Uzbek authorities are trying to inculcate these perceptions among their citizens through state media broadcasts and publications.

However, popular perceptions of Kyrgyzstan differ from those of the political elite. In the views of many ordinary people, especially in the Ferghana Valley, Kyrgyzstan is an economically dynamic and politically open society that tolerates opposition in many forms. Historically nomadic, the Kyrgyz have been able to achieve remarkable economic progress because of their closer ties to the international community and liberal economic policies.

As one Uzbek journalist in exile told the IPP, "Karasu market in Kyrgyzstan is visited by traders from all regions of Uzbekistan. They see that Kyrgyzstan has far less police officers and tax inspectors on the streets, but that people seem to live better despite this fact. Not a single road police station stopped us on the longest Osh-Bishkek highway. Contrary to Karimov's statements, Kyrgyzstan gives an example of how an "Eastern" country can adopt liberal policies without harm."

These perceptions prompt many ordinary Uzbek labor migrants to cross the borders daily in search of better pay. Uzbek traders smuggle goods to Kyrgyzstan to get better prices.

In recent years, many ordinary believers in Islam from Uzbekistan have found refuge in Kyrgyzstan's southern regions, fleeing persecution and torture in Uzbekistan. The flight of Andijan refugees to Kyrgyzstan is the latest episode.

Assumptions and myths guide not only the people in Uzbekistan, but also in Kyrgyzstan. From the early nineties onward, for part of the Kyrgyz public, especially in the south of the country, Uzbekistan's image has been that of a highly orderly and stable country, which has managed to maintain a Soviet-era social welfare system and economic infrastructure.

An average man would bring up the examples that, apparently, captured car thieves in Tashkent are immediately sentenced to capital punishment, and that in years with good cotton harvests, common farmers can easily buy Korean and Uzbek-made cars. President Islam Karimov was seen as a strong and tough leader, able to keep Uzbekistan from delving into chaos and disorder.

At the same time, many ordinary Kyrgyz citizens have become practically acquainted with the toughness of Karimov's regime in a number of areas, including trans-border movements, trade, visa issues and so on, which effectively damaged Uzbekistan's positive imagery. The Andijan events in May 2005 further exposed the full depth of social tension and internal political issues in Uzbekistan.

Constant coverage by Kyrgyz media outlets of the problematic areas in relations with Uzbekistan has formed a predominantly negative image of this country. The filtered official information coming out of Uzbekistan cannot compete with alternative coverage and reports, both from within the country and by foreign media outlets. Uzbekistan is now largely seen as a source of constant tension that represents a latent political, social, and even military threat to Kyrgyzstan.

The wider Kyrgyz public has traditionally been discontent with the strict posture that Uzbekistan takes on many bilateral issues. Kyrgyzstan has always felt strong pressure from Uzbekistan in such issues as Uzbek refugees



in Kyrgyzstan, border issues, gas supplies and water management.

Among the popular attitudes held in Kyrgyzstan about Uzbekistan are following:

Uzbekistan is pursuing expansionist goals. Towards that goal, Uzbekistan is pursuing the policy of repatriating co-ethnics, similar to Russia's compatriots policy. Uzbekistan's ultimate goal is to carve out parts of the southern region of Kyrgyzstan, namely Osh and Jalal-Abad oblasts, which have sizable ethnic Uzbek populations.

Uzbekistan is bankrolling some Uzbek leaders in south Kyrgyzstan to promote Uzbekistan's interests. The latest demands in Jalal-Abad to give the Uzbek language an official status is viewed as part of this broader agenda. Plus, Uzbekistan has never allowed the Uzbek community in Kyrgyzstan out of its informational media environment, with an unprecedented volume of Tashkent's media influence being exerted in southern Kyrgyzstan.

Uzbekistan retains an indirect, "soft power" influence over Kyrgyzstan's ethnic Uzbek minority. Uzbekistan's TV and radio channels cover the whole of southern Kyrgyzstan. Uzbek political and cultural broadcasts have a significant impact on the political thinking of ethnic Uzbeks. For example, according to Morgan Liu, an anthropologist at Harvard University, in the late 1990s many ethnic Uzbek men in Osh had had a positive image of President Islam Karimov as a strong ruler, a Central Asian *khan*.

Uzbekistan will not hesitate to use military force to solve some bilateral issues. Many observers point at the 1999 bombing of Kyrgyz territory by Uzbek fighter planes that were supposedly targeting Islamic militants.

The fact that Uzbekistan is militarily more powerful than all other Central Asian states further strengthens the suspicion of Kyrgyz policy-makers. According to the UK-based International Institute of Strategic Studies, including reserves, the Uzbek military force stands at almost 130,000 men. Active forces amount to some 80,000 – 50,000 in the Army,

9,100 in the Air Force, 18,000 in Ministry of the Interior units, and 1,000 in the National Guard. Manpower fit for service is estimated at about 5 million people. Following the Andijan crackdown, there are reports that Uzbekistan is further modernizing its military.

These perceptions are widespread throughout Kyrgyzstan. Some officials, particularly at the local levels, believe that they are credible. However, scrutiny of empirical reality disproves these myths. First, Uzbekistan has not pursued a co-ethnic policy at all similar to the Russian compatriots policy. In fact, the Uzbek leadership in Tashkent has long viewed the ethnic Uzbeks in Kyrgyzstan and Tajikistan with suspicion. Uzbek state TV channels have claimed that the Islamic militants that targeted Uzbekistan in 1999, 2000, 2004, and 2005, were ethnic Uzbeks – citizens of Kyrgyzstan and Tajikistan.

Second, a fundamental challenge to Uzbekistani security is derived from the weakness of neighboring states, particularly Tajikistan and Kyrgyzstan, which makes Uzbekistan vulnerable to spillover effects. Uzbekistan has taken steps to isolate itself from Tajikistan's civil war. Following the 2005 Tulip Revolution, Uzbekistan strove to limit the spillover impact. There are also concerns about the possible repetition of the outbreaks of inter-ethnic violence which occurred in 1990 between Uzbek and Kyrgyz inhabitants of Kyrgyzstan's southern territories. Such violence could spark inter-ethnic and inter-state confrontations in the heart of the Ferghana Valley, which runs through these three countries. Uzbekistan, which is home to many ethnic minority groups, including Tajiks, Kazakhs and Kyrgyz, is not interested in promoting the rights of co-ethnics precisely because of its bad treatment of its own ethnic minority groups and its fear of retaliatory co-ethnics policies by Tajiks, Kazakhs, Kyrgyz, and even Turkmen.

Another angle of the issue comes from the fact that, according to the Kyrgyz Ministry of National Security, more than 90% of the membership of the Islamic party Hizb-ut-Tahrir in Kyrgyzstan is ethnically Uzbek. As a result, religious persecution in Uzbekistan and the Hizb-ut-Tahrir issue have allowed for

unusual cooperation between Uzbekistani and Kyrgyzstani security forces in hunting down “religious fundamentalists.” Kyrgyzstan has long tolerated incursions of Uzbek security forces into Kyrgyz territory to arrest and detain Uzbeks with Kyrgyz citizenship.

Conclusions

Several key factors explain the unpredictable and conflictual nature of relations between the two republics. It is evident that the political elites of the two countries know very little about each other or the environment in which they operate. As a result, they form their policies based on assumptions and myths rather than hard facts.

Consequently, when the political leaders were at odds with each other, the relations between the two countries became sour these interests

The relations between the two countries have been markedly personalized. Individual leaders have played a far more predominant role in diplomacy than foreign policy institutions. Consequently, when the political leaders were at odds with each other, the relations between the two countries became sour. When the leaders were on good terms, relations were marked by cooperation.

Many observers view the Treaty of Eternal Friendship between the two countries with cynicism. Regional leaders have disappointed the hopes of their citizens for the development of successful, mutually-beneficial bilateral relations.

Citizens bear the negative results of friction and tension in the relations between the two countries. Border restrictions disrupted the traditional patterns of trade and social interaction in the valley. The rich cultural exchange that characterized the region for centuries has become minimal.

It is evident that these two countries – with fairly high level of interdependence— should develop interest-based and mutually beneficial relations. Current relations driven by personal preferences, one-sided calculations and unilateral actions, all accompanied with declarations of ‘eternal’ friendship, do not seem to live up to the hopes of population and interests of country leaders.

The governments of Uzbekistan and Kyrgyzstan should try to use cultural and linguistic closeness and their shared desire to have a stable and peaceful Ferghana valley for the incremental and progressive development of relations. Establishing robust mechanisms and institutions, and resolving issues in a systematic, transparent and pragmatic ways will help to make the friendship stronger if not eternal.

THE PHILOLOGY OF INTERETHNIC RELATIONS IN KYRGYZSTAN

Muratbek Imanaliev, President of the Institute for Public Policy

National minorities are usually outsiders – usually, but not always and not everywhere. Examples to the contrary include whites in the Republic of South Africa and Chinese in Malaysia.

For Kyrgyz, who have attained the status of a state-forming or titular nation, the question of whether we have stopped to feel and identify ourselves as a national minority remains principal. The point lies not in numbers or a titular status, but in worldview and patterns of action.

The Kyrgyz nation, the eleventh republic, and consequently the eleventh nation in soviet ranking, a national minority in this sense, has suddenly become the majority, the first nation. What sensations and what changes has this primacy brought about? As it turned out, the comprador elite of Kyrgyzstan, established during the soviet times, was not ready to respond and take appropriate actions.

For the Kyrgyz, the situation is full of controversy, discrepancy and destruction, rather than creative construction. Mechanisms of self-



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identification, besides those which have been mythologized, have not presented themselves.

Kitchen ethnic egoism suddenly entered politics in the form of pronouns – “we” versus “they.” Moreover, this dichotomy became a political issue not only for the Kyrgyz but for Russians, Uzbeks and others as well. “We are the majority, and you are living on our land” – is the first slogan and ideologem of the independence handed to us by Moscow.

“We? Where do we live?” – Tremulous exclamations of new national minorities began to be heard. This is when the virtual, spiritual/mystical emigration of people of non-titular ethnicities started. For many of these people, though they actually lived in Kyrgyzstan, in their hearts they were in their historical homelands, which had not been particularly welcoming towards them, and mainly used the emerging situation for the purposes of cynical politics. Later real emigration also began.

On the other hand, national minorities are obliged to assist the Kyrgyz to create this nation-state

There is nothing chauvinistic or nationalistic in the desire of the Kyrgyz to build their own nation-state. This is what everyone wants – Kurds, Uygurs, Basques, and many others. However, it is necessary to build it together with all who live on this land, as Kyrgyzstan is their homeland as well. Our nation-state should be built by helping national minorities to develop their culture, speak in their mother tongue, etc.

On the other hand, national minorities are obliged to assist the Kyrgyz to create this nation-state. There is no other place on the Earth for the Kyrgyz. We, the Kyrgyz should correctly explain this goal to all. Everyone else has a so-called historical Motherland beyond Kyrgyzstan, but for the Kyrgyz it is only here. Kyrgyzstan should become a real Motherland for all, including the Kyrgyz.

How should we, the people living in Kyrgyzstan, be called? For example, people living in the USA call themselves Americans regardless of their origin, in Canada – Canadians, in France

– French, etc. Is the name “Kyrgyzstani” widely used? I am afraid not. When abroad, a Kyrgyz says he is a Kyrgyz, and a Russian or an Uzbek call themselves Russian or Uzbek; the best that they can say is “I am from Kyrgyzstan,” but not “I am a Kyrgyzstani.”

We, the citizens of Kyrgyzstan, continue to be divided into “we” and “they.” “They want to oust us.” “They do not want to speak Kyrgyz.” “They, they, they” – “We, we, we.” Do we understand each other? This is a further question.

In the field of legislation, the issue of national minorities is not resolved yet, except for some brief provisions in the Constitution and a small number of legal acts. The same goes for international conventions and intergovernmental agreements. Serious development of a legal basis for this issue is needed.

However, public agreements, further transforming into traditions and customs, are equally important. The role of public spokesmen and leaders, regardless of their national origin, is very critical in this context. They should become the locomotives for the process of interethnic integration, based on public agreements and public political education, all within the larger process of forming the Kyrgyzstani civil and socio-economic space. “They” should be not within the country, but beyond its boundaries. “We” are here – all here. A nation is co-citizenship. We should all understand this point – all, without exception.

The unhealthy attitude of the Kyrgyz towards the requests of our national minorities is a residual inertia of the long period during which we ourselves were a national minority. This point is where distortions regarding needs of the Russian and Uzbek speaking populations originate. Added to this problem, the impact of external influence is not at all insignificant.

Two problems in particular lie on surface of interethnic relations – cadre selection and language. Subsurface layers of these relations, including problems of ethno-psychological compatibility, are under-studied. Moreover, our national psychology, existing in a permanent condition of crisis, remains in a constant state of depression, the way out from which is through

either aggression or exit from the country. There exists no sound third way as of yet.

Where cadres are concerned, the system of selection and placement of people in positions, inherited from Akaev's regime, infringes not only the rights and opportunities of national minority representatives, but also those of the Kyrgyz themselves. This point is illustrated by the following picture: Does Kyrgyzstan need graduates, let us say from Harvard University, for civil service? If there is no support from the top, then no. Cadres are selected not based on the needs of the state, but more on personal needs, personal loyalty, or through the "corrupt accounts department."

Therefore, the Kyrgyz as a whole should probably not be blamed for "Kyrgyz-orientedness" in the selection of cadres, but rather those Kyrgyz who undertook the formation of state institutions, particularly institutions of ethnic representation, who (together with others) could not manage to establish a civilized system of public administration.

When the leadership is criticized because representatives of this or that national minority are not present in state bodies, it usually responds by providing a list of persons who hold some state positions: here is a Russian, here is a Korean, etc. However, this tactic only proves the inefficiency of the cadre policy of the country's leadership.

Serious reforms are needed, and everyone should be involved in their implementation, including that of cadre policy. Appointments should be made not by one individual, but through a public/state commission which would screen every applicant.

Regarding the problems with languages – in essence, the shift of state languages is a struggle between Kyrgyz politicians, not a program of ethnic minorities. Above all, the Kyrgyz themselves cannot grasp this issue, discussing among each other a multitude of significant and minor factors. Therefore, this confrontation is more intra-ethnic than interethnic, and falls into a multitude of components, including urban-rural. The Russian language, as an official language, has more international utilitarian im-

Other languages are losing to Russian in the competition for lingua franca status because the Russian language is also a linguistic-cultural heritage, not only for all nations living in Kyrgyzstan, but also for all Central Asian states

portance. There is no other language in Kyrgyzstan that can play this role. As English is not yet the language of the elite of Kyrgyzstan for international communication, this role is played by the Russian language. Everyone should understand this point. We need a linguistic/informational outlet to the world, which is Russian for the time being.

Addressing the issue of making other languages official is lawful in principle, but only from the point of international precedent, which must be understood.

Other languages are losing to Russian in the competition for lingua franca status because the Russian language is also a linguistic-cultural heritage, not only for all nations living in Kyrgyzstan, but also for all Central Asian states (besides what was stated above). It is the Russian language which is not only a language, but also an information/communication channel connecting the countries and peoples of the region. There is no common Turkic or English language in this quality yet.

On the other hand, giving the status of an official language to one or two more languages in our country is a way to form linguistic feudalism, which indirectly contradicts to the principle of the unity of Kyrgyzstan.

It is obvious that Kyrgyzstan needs a concept for national development that is both serious and common. For the time being, Kyrgyzstan is the only country in the region that does not have such a concept. The challenge that Kyrgyzstan faces is not an easy one. In this respect, we (all Kyrgystanis) should understand that we are vulnerable in many respects. The major element in forming a concept should be common value guidelines, among which the idea of "nation as co-citizenship" should be principal.



REFORMING THE ENERGY SYSTEM OF KYRGYZSTAN

On 22 June 2006 the Institute for Public Policy hosted an expert discussion on “Reforming the Energy System of Kyrgyzstan: Issues and Solutions.” Experts and political figures were invited to analyze the most acute problems of the energy system of the country and identify the best options for reforms. The discussion was chaired by Muratbek Imanaliev, President of the Institute for Public Policy. The full transcript of the roundtable is available [here](#).

List of speakers:

Tairbek Sarpashev, vice-speaker of Jogorku Kenesh

Nuridin Abdylдаev, member of Jogorku Kenesh

Iliyas Davydov, first Deputy Director of “National Electric Network”

Abdurashit Mukanbetov, head of department for development of strategic entities, State Committee on Property of the Kyrgyz Republic

Nadezhda Davletalieva, expert on energy of apparatus of Prime Minister

Aigul Sultankulova, chief expert of the National Agency on anti-monopoly policy and competition of the Kyrgyz Republic

Muratbek Imanaliev: We, politicians and energy specialists, have all noticed that major investments currently flow into the energy sector of Tajikistan. As is known, Russia has invested big money into the construction of hydroelectric power stations; Iran will also invest about 300 million dollars; and investments have come from the EU and even from America. One gets the impression that all energy belts and lines bypass our country and run geographically to the left – to Tajikistan and Afghanistan. I believe that the day is not too far in the future when the power systems of Tajikistan and Afghanistan will be linked in some way. In light of the events in Afghanistan, an alternative option appeared, and Tajik policy has skillfully taken advantage as far as I know. The other line also bypasses Kyrgyzstan and runs through the territory of Kazakhstan and China.

From my point of view, our country is becoming isolated. Even transport arteries have begun bypassing Kyrgyzstan from south-west and south-east, heading to China and other Asian countries. Unfortunately, financial flows have always evaded our country. Although it is known that one trillion dollars circulate in the world each day, not a single penny flows here. What does this situation indicate to us? First of all, it indicates the lack of energy policy. At the core of such a policy, I see the issue of energy security

as one of the three main constituents of overall economic security; energy is the basis for any development. Even humanitarian problems are interlinked with the energy sector. A person with energy capacity is ready for development. Human communities that mastered fire moved forward, while those that could not master it as a tool of development were not able to develop further. Therefore, the challenge today is to develop and implement energy policy. This issue is about our internal problems. It not only involves the development of conceptual issues, but also the personification of energy issues in Kyrgyzstan, as well as some economic projects that could enable us to secure ourselves. The question is also about our international relations, because in such a small country as Kyrgyzstan, the export of electric power and energy resources in general is a very important element.

I think that if we linger this way further, there will soon be no one to whom we may sell electric energy. Ten years ago, we had the task to export electricity to China. Currently, there are two obstacles hindering the export of electricity. First, the increase in power production in China – according to their eleventh five year plan, production in 2006-2007 will equal a colossal figure – approximately eighty thousand megawatts. For comparison, in Russia this

figure constitutes 1.6 thousand megawatts: thus, the volume produced in China is forty-five times greater. Uzbekistan, as far as I remember, was not heavily in need of electricity, and we had fragmentary cooperation with Tajikistan. Kazakhstan remains; however, it is not particularly interested in our electric power, as only two regions of Kazakhstan border Kyrgyzstan. I believe that entities will nonetheless appear that need electricity from Kyrgyzstan, although we may be late.

I would like to address a question to Tayirbek Duyshenovich: Does such a policy exist in our country? If yes, what is the concept of it? If no, what should be the essence of such a policy?

Tayirbek Sarpashev: It is painful for me to see how money that should had been invested into the Kambarata-1 and Kambarata-2 hydroelectric stations flew away into Tajikistan. As far as I know, negotiations first started with our country. We met several times with the top management of the Russian Federation and major energy industries of Russia. However, nothing went beyond negotiations for some reason. Of course, here I see problems in the legislative framework as well – one must start from oneself and not blame others. A certain role was played by the special status of the Toktogul Hydroelectric Power Station and by the fact that that all hydroelectric power stations belong to the state, which cannot sell them.

Second is the high level of corruption amongst not only powermen, but also the top political leadership in general. Here we have not the power of law but the law of the powerful. There is no transparent policy, not only in the power sector, but also in other fields. The instable political situation that persisted in Kyrgyzstan over the last year also played a considerable role. We lost a year, which is equal to losing 2-3 years. I blame the corrupted system in this regard.

Third, I am surprised by the position of the Government. When a member of the previous Parliament, I worked as the Committee Chairman and faced energy issues closely. Governmental structures worked with us deputies very poorly. We discussed all the issues in a dialogue

format, and would raise them by means of the mass media. People themselves would choose the position they deemed right; we did not impose anything. It was decided that there was need to reform the energy sector, and that it was necessary to bring it closer to international standards. Investors will not come only due to our hospitality; they will come when business becomes standardized. Businessmen rely on business standards that were developed decades ago, and we are not the ones to change them. Over the last year, the Government has done nothing to come closer to those standards besides blaming the parliament about blocking projects. I will not deny that during the previous parliament the Government resorted to utilizing its own administrative resources. Nowadays, the Government does not have the objective of reforming the energy sector. There are significant controversies between the Government and the Parliament, between the President and the Government. The tandem plays a negative role in cadre issues today, as each is interested in strengthening his own position. Unfortunately, the energy sector, Kumtor and Djeruy in particular, became not an economic issue, but a political tool for the liquidation of opponents from the political arena. In such a case, truth is always lost somewhere, and with the aid of such polemics the opposition and the Government speculate on this topic, using it as propaganda, drawing people to their side. This is a real obstacle, one of the major factors which impede our development.

Just yesterday evening, we met with a representative of the World Bank who said, "This is our last attempt to help you reform the energy sector; you should 'jump on the last wagon of the departing train.' If we leave, we will not be here any more." The World Bank is an international institution, and it often applies a firm approach to the solution of many issues. It wants to bring us closer to international standards. They imply European standards, but our social "cushion" and economic capacity does not allow us to implement such cardinal changes. We are late by 5-6 years with concessions and other issues, as things that could have been done in 2001 have not yet been done. The opposition of that time, which currently holds the power – President Bakiev, Ishenbay Kadyrbekov,



Ismail Isakov, Usen Sydykov – were actually the ones who blocked the project on reforming the energy sector in order to depose the power. They used the project for ideological purposes, and assured everyone that the leadership wanted to sell the energy sector. The current opposition, after giving some thought to the matter, took up the same weapon, and is using it against the current power.

When elections were held last year, I compared the composition of the old convocation of the 60-person Legislative Chamber with the composition of the new 75-member parliament. The current convocation of the parliament mainly consists of economists, the ones who created the system. They know the market, administrative resources, and evolutionary development of the market. They know what these factors are, and they also know that the laws of the market are fundamental and cannot be replaced by anything. However, the opponents of the reforms of the energy sector prevailed. When I talk with them, I explain to them the need for reforms, and they agree.

Now, no political resources are left to carry out the reforms. In order to realize reforms, the top political leadership should have a strong capacity. Because of their corruptibility, family business, the capacity is exhausted and any undertakings of the President and the Government will be blocked by the Parliament. Why is this the case? It is so because the Parliament does not trust the President or Prime Minister, as they see how they tackle the power industry and what scheme they promote. Over the last year, they rose to a qualitatively new level of corruption, at the level of ideology now. When the opposition tries to do something, they are divided into Southerners and Northerners. It is impossible to carry out reforms in such an environment, as there is no trust. I know that when reforms are under way it hurts. Comparing it with a living organism, I see reforms in the state as surgery on the organism. If one trusts the competence of the surgeon, one lies on the surgery table. If one does not, one takes painkillers and goes to a shaman. Parliament does not trust the current power.

Muratbek Imanaliev: As I have understood,

there is no energy policy per se; it is nonexistent. There are populist statements related to politics and the struggle for power. The next question is for Nadejda Stepanovna and Ilyas Abdulovich: How does the Government understand energy policy, and how can it be implemented?

Nadejda Davletalieva: Currently, we have very many proposals on the investment of resources into the construction of the cascade and the renovation of the Heating and Power Station of Bishkek City, where there are significant problems as well. Nonetheless, as the Heating and Power Station also falls under the jurisdiction of the law on the special status of the Toktogul Hydroelectric Power Station, the basis for reform is to introduce amendments into that law, regardless of what is proposed or by who. Even back in 2004, when we signed a Memorandum with Mr. Chubais, one of its provisions stipulated the introduction of changes through the legislative framework. In the same year, a contract on the development of Feasibility Studies was signed, meaning that we proceeded forward considerably in 2004. In addition, in June of 2004 the Government came up with a draft bill on the introduction of changes into the law on special status. The draft bill proposes to exempt uncompleted construction from the jurisdiction of the law on special status. However, this draft bill has neither been considered nor adopted. When the negotiations were resumed this year, the issue on how to amend the legislative framework arose again, as it is one of the major obstacles impeding cooperation. Members of Parliament Mr. Mamyrov and Mr. Artykbaev submitted a draft bill again. The draft proposes not only to exempt the uncompleted construction, but also mentions the Bishkek Heating and Power Stations 1 and 2, as investors for the construction of Heating and Power Station 2 may be found. This draft bill is currently under review.

We also talked about the necessity to give all distribution companies to concession. We visited Ust –Kamenogorsk recently, where there is a company which invested significant resources into all redeemed assets. Several big objects have been constructed; that is to say, we saw specific investments made.

They had taken distribution companies under their administration, as they understand that electricity and heating energy are generated, but money is not returned, which is the same problems that we have. Tedious and daily work with distribution companies must be carried out. Therefore, they incorporated the distribution into their administration. There the investments go to management. In any case, they used the administrative resources for ten years, and only last year did they divide District Electric Networks (RES) from the Power Distribution Companies (REK). Therefore, the policy of the government is unambiguously for restructuring. We support what was started back in 2001. All problems arise from the fact that we stopped even before halfway. Regardless of the number of draft bills submitted by the parliament, there are probably some deficiencies. Perhaps parliament is not that active. Possibly this is because until last year we had the State Energy Agency, which directly worked with the parliament very closely.

Tayirbek Sarpashev: And who abolished it?!

Nadejda Davletalieva: The President. Now we have a National Agency for antimonopoly policy, and this department is subordinate to it. Overall, it results in dual policy. Officially, all functions of the state agency on energy seemed to be transferred to the permanent agency on antimonopoly policy. However, according to its status, the antimonopoly committee should not and cannot tackle many issues over which the state agency was formerly in charge. This is one aspect. The second one is that we are trying to do something now. We have the Verhne-Narynskiy (Upper Naryn) cascade on the agenda, as some investors contacted us regarding its construction. However, everything was planned until 2020; it was a long-term future perspective, and no specific feasibility studies were prepared. As a rule, all energy facilities should be tendered. In this case, it turns out that we have nothing for which to bid. We do not have the right to violate the law, and we decided that if there was a specific investor, then they would develop a memorandum and investment agreement which would regulate the relations between us. From the side of the Government there are no guarantees; we do

Not give preference to any one. If an investor ready to invest money appears with a clear plan and develops an investment agreement, the Government guarantees him implementation of the legislative base that we have. This is the scheme.

A second investor arrived, willing to construct power stations in Sary Jaz, but his project is very expensive and we have the conclusion from Tashkent (Feasibility Studies would cost USD 120 million), but the investor rightly notes: "What if I prepare feasibility studies, and then someone else wins the bid? There are no guarantees that I will be able to regain at least half of the amount spent." As a result, we told him that we agree in principle, and will support him if he wants to build in our country. Again however, he will develop an investment agreement and pass the approval of the Parliament.

Tayirbek Sarpashev: All over the world, energy resources will grow in price. This trend is very clear now. The price of oil increased from 12-15 dollars per barrel to 60-70 dollars: that is, it grew five times more expensive. Other energy consumers around us, as far as I know, produce a lot by burning black oil and coal in their heating stations. These resources are limited, and will be exhausted some day. Therefore, hydroelectric power generators have many opportunities emerging for them. They have a reliable source of energy: Once constructed, they can generate energy day and night without any need for a supply of mazut... It is possible to foresee the work of a hydroelectric station 10 -15 years ahead. If one investor comes, a second can also follow.

Nadejda Davletalieva: However, who has expressed such a desire? By the way, the Russians want to work in Sary-Jaz.

Tayirbek Sarpashev: I have heard of Sary-Jaz only this year. When the prices for oil went up, they started to look for alternatives, which means one person came. A second will also arrive; let's wait...

Nadejda Davletalieva: In principle, we think that there is nothing seditious here. They



are very welcome to proceed with their work. However, no one provides any guarantees now.

Muratbek Imanaliev: I have such an impression that the question is not about perfect or imperfect legislation per se, but more about other things, such as a culture of abiding by law. I have also an impression that in our country (not originally and exclusively though) the legislation is abstracted from real life. Simply put, what is more effective in our country – the law or relative connections, the law or a telephone call? I do not want to say that we do not have a culture of abiding by law, or a political culture. Throughout the world, there are such examples as the Constitution of Mexico, which is the Constitution of the USA translated into “Turkmen language.” The issue is that in the States it worked, while in Mexico it does not, even though the Constitution of Mexico repeats every word of the Constitution of the USA.

Why does this happen? I think that the human factor plays a significant role in this case, and therefore it does not matter what laws we adopt (we do not invent laws; we simply rewrite them from the Kazakh and Russian arsenal). I do not mean to offend the deputies, but the thing is that there are some circumstances, human qualities that do not provide for the solution of our problems within the framework of what is written, for example in the Constitution of the USA. In the same way, not every Russian law can be applied here. Therefore, I want to understand what the meaning of such a policy is.

Regarding Sary-Jaz I can say that this is a very complicated issue, as there the issue has to be coordinated with the Chinese, while the unfortunate Kambar-Ata Hydroelectric Power Stations need to be coordinated with Uzbekistan. Everything has to be thought out until the end. Here, as it seems to me, the applied part of our work, besides the legislation, is still very poor. Ilyas Abdulovich, I would like to ask you whether there is need to build these Kambar-Ata Hydroelectric Power Stations. In my opinion, it is first necessary to put in order what we already have. The figures are horrifying:

42% losses. Though the specialists say that this is not true, these are catastrophic data, which may exist elsewhere in Africa. During the Soviet Era, what we had was in a rather good state, while deterioration was caused mainly by the lack of money and outflow of specialists.

Ilyas Davydov: Dear colleagues, first of all, thank you for the invitation. I came because open discussion takes place here. I have worked in the energy sector for 40 years, and frankly speaking, my heart aches now. The power industry is currently experiencing a terrible and difficult crisis. I think nothing like this has happened anywhere. Why is it happening this way? I think that not only we, the deputies, but also the people in general know why this is happening. First, I want to say that the Kyrgyz energy system is unique. As we all know well, hydroelectric resources were built during the Soviet Union, and there was excess supply of electric power. With the collapse of the Soviet Union, we managed to shift from 2.5 million cubes of gas, 600 thousand tons of black oil, and 4.5 million tons of coal to electricity by the introduction and construction distributors of other networks. We occupy the second place in the world after Norway in using electricity for communal and household use. If in summer the daily consumption of electricity is eighteen million kilowatt-hours, in winter it increases up to sixty-six million kilowatt-hours. Electricity is consumed for electrical heating, food preparation, and by 4000 facilities: schools, hospitals, and communal facilities. For example, in winter, in Naryn alone about 91-92 % is used for these purposes, and the average winter consumption on the national level is 72%. Even if we drive through the country and look around, there are practically no houses with smoke from the chimney. The use of electricity is safe; they should pay us for it.

I used to work in the Ministry of Energy Industry of the Soviet Union, and of the Kyrgyz Republic. Commitment to the energy sector was high in all aspects – technical equipment, cadres, professionalism, patriotism, etc. Great people worked at that time, heartily committed to the development of the energy industry.

The second positive aspect is that upon the

collapse of the Soviet Union, world prices on gas were limited, the supply of black oil stopped, and the volume of coal mining decreased. We were the first country in Central Asia by the volume of coal mining, which stood at 4.5 million tons at that time. Later, the president made a decision: "Let's produce at least a million tons." Yet, even that was beyond our possibilities. Currently, a maximum of 100 thousand tones are mined; aside from that, we import it. Therefore, a positive moment in the development of the electric power industry was that instead of these expensive resources, we resorted to the use of electricity. Earlier, the voltage in lines was about 130-140 V, while now there is not a single region where it is below 220 V, including even Batken, Naryn, and Issyk-Kul.

The most adverse factor, as I see it, is a lack of management. No one tackles the issues of the energy industry in the republic. I think that the Prime Minister and Vice-Primer Minister should be managers of the company. Reform and a shift from state ownership were carried out at a rapid pace. I took part in the meeting with Chubais, the president of the electric power council. In 2000, we announced restructuring. "Who on Earth restructures and implements reforms in a winter period?" said Chubais. "You need to prepare for winter. Let me call A. Akaev." I replied: "Let me call the president of the World Bank," and we stopped it. After 3 years, Chubais came again and told me: "Davydov, I told you that we should call and stop everything. How can reforms be carried out when only 40% of the payment for electricity is being collected? You applied a negative upon another negative." That is, mutual offsets impacted the situation in energy sector.

The second factor is that energy industry issues are tackled in distribution companies by unprofessional, unpatriotic people who lack special knowledge.

The third factor is that when the reforms were being implemented, I used to argue with Mederov [former Minister of Finance], insisting on launching a pilot project first, developing normative acts with the parliament and the agency, and further moving to specific measures, etc. What were the results? Very

high losses. In the winter period, we overload the power lines due to objective reasons, but we loose 48%. I also believe that we need to work on loss reduction. It should be done not under the activities plan, but at the level of a political and organization decision. How can the power industry be headless in a country where it is the basis of the national economy? The Vice-Prime Minister should work on water and power issues with the neighboring countries.

Earlier, we earned 85 million dollars, supplied water, etc, while now we do not earn at all, or only 10-12 million dollars at the best, together with Kazakhstan. Moreover, we are the only country that does not have a national program on its power industry. Sixteen years have passed, and we have not yet agreed upon a plan with the parliament. I understand that this is complicated and hard work, but it has to be done. Furthermore, the development of hydroelectric power stations and the development of network facilities should be fully considered as part of the power complex, in connection with the gas and coal industry, etc. I think that the first task is management. The World Bank has not yet provided us with justifications. Though we paid 300 thousand dollars, we have not yet received the final documents. Therefore, I repeat that our first task is management. The second is restructuring the management of the power industry. Concession is needed. I support privatization, as the collection of payment is at a minimum level. The debt of the national network alone is 2.25 billion soms – how can energy sector manage this?

I prepared our proposals about how to improve the situation both for the presidential administration and the government. Here is what they say about energy sector workers: "They are all thieves. They are all corrupted!" It hurts to hear these words, because there are electricians, mechanics, and repairmen who work day and night on the same cascade in the mountains, 4,000 meters above sea level. Recently, we spent 12 days in Frunzenskiy and Ala-Archa (on Sunday, a program "Energy Express" will be on TV). Ninety-eight persons worked on lines in the mountains; we organized food for them. Kazakhstan put a condition for us to leave parallel works. We told them:



"Leave. We have possibilities to work with you only if you do not play for transit." They raised a question on the transit of their consumption. I believe that hydroelectric stations should be built simultaneously. There is shortage of electricity in the south of Kazakhstan, and the shortage will persist even if a second line is constructed.

In conclusion, I want to speak about the neighboring countries. In Tajikistan, electricity is supplied for only 4-5 hours per day. A large aluminum complex works there; 30% of the Tajik budget is spent on aluminum. Kazakhstan wants to build Mainap Hydroelectric Power Station by 2008. The issue is on the installation of one more line and working with China. Therefore, I believe that a political decision has to be adopted in Kyrgyzstan. If management will be created, I guarantee that losses will be reduced by 10% within a year. This statement is realistic. It is 1.5 billion kilowatt-hours. Out of these savings, it is possible to withhold tariffs, develop the economy, and contribute to the national budget. Kyrgyzstan is the only country where management is not in place. Uzbekistan is a state of joint stock companies, as you know. In all CIS states there are management systems, as management means energy security. If we gave away the National Electricity Network and stations, then there would be no need to drop bombs on Kyrgyzstan: just switching off two knife-switches could leave the country in complete darkness – that would suffice. Therefore, the power industry should belong to the state. In Russia, the situation is as follows: 51% of all hydroelectric stations are state owned. The system operator is state-run; the federal network company is also state-run. Everything of a lower level is given to competition, privatization. I think that this experience should be used. I rely on the wisdom of our president. On the 29th, a meeting will be held in which I hope the most serious decisions in favor of the energy industry and our people will be adopted. Thank you.

Aigul Sultankulova: I will start by saying that when the State Agency for Energy Industry (actually a regulative body, the first regulative body in Central Asia) worked closely with deputies, I speak with no intention to offend

the deputies, it took us three years to explain what a regulator was. For us, that was something unclear, new. It is a normal situation however, as regulative bodies are perceived as something negative in all countries. They are bodies that no one likes. They are meant to ensure a balance between the consumer and the producer.

Secondly, all current problems existed before as well; it will take a long time to resolve them. We lack the most important thing – a strategy for developing the energy industry. What has been done was not a strategy, but a simple development plan. What does a strategy mean? We want to attract investors. What can attract investors? Clear, consistent plan and respect for owners' rights. Investors will come only when they know that the rights of owners are respected in this country, and market and entrepreneurs will gain by this. Currently however, we have a situation in which the top level possesses a political will that everything must be elaborated two steps in advance. There is a layer of working people, and a layer of those who try to "hit the jackpot." The latter attracts people who need to launder money. What strategic plan can we talk of in such a situation? The same type of investors, those what want to launder money, will come so long as we will sit with our interests as we do now.

Paradoxical cases do happen. One company wants to come to the local market and submitted its proposals. This company wants to participate in the bid on the transfer of distribution companies to concession, which is the fourth stage of privatization, at which we have remained for 5-6 years, unable to manage to move further. This company was very heartily welcomed in Tajikistan. The issues is that they want to open a line that will run through Tajikistan to Afghanistan and Pakistan, but also want Kyrgyzstan to be involved.

We want to live on benefits gained from selling electric power. However, it can happen that they will talk with them, accept their proposals, and that is all, because one of the principles that specialists of the AES (international energy company) abide by is not to bribe state officials. Absolute transparency must be in place. One

of the conditions runs as follows: if bribery is evident, the management of AES will suffer. This principle is adhered to, as they do not want to lose either their image or their work. Therefore, however we position ourselves, investors with the same approach will come to our country.

Regarding tariff policy.... Deputies always reprimand us for a lack of tariff policy, but the quality and composition of the parliament was observed to have changed significantly. Economists sit there, yes, but their interests have acquired a political tinge. The previous leadership of the country, though also having economic interests, at least pretended that it was trying to reform the energy system. Now, in spite of the fact that educated economists are in the Parliament, there are open conflicts of personal interests taking place. They all have their own businesses, and not a single business can exist without a supply of power. Therefore, many things are blocked at the level of the deputies' personal interests.

We have been accused of raising tariffs for those who consume up to 150 kW, but the presidential decree on protection of pensioners is used simultaneously. When everything was analyzed and estimated, it turned out that over a million consumers (62%) have some benefits on payment. Those who consume much represent 5%, but pay for their consumption; budget employees represent another 5%; but believe me, they do not constitute a great number. The major part – the medium stratum – constitutes 28%, the part of the population which regularly pays for the consumed electricity. So the picture is not that scary. The most important thing that the deputies were accusing us of was when people paid double-rate tariff – 43-80 tiyins. If we look at the reports of energy companies, we see that 70% of the population of Kyrgyzstan consumes less than 150 kW. Average consumption is 110 kW. Not all consumers can use up 150 kW. Therefore, people did not pay the difference between 43 and 80 tiyins. Today, those people who do not pay for electricity are automatically cut off. The difference goes somewhere, right? Where? To someone's pocket, but not the national budget. The energy industry, besides influencing life all

over the country, also impacts the quality level in the country. Now it is possible to control this factor. I agree that we need to look at internal reserves, but this process is very difficult. We proposed in the past, and propose now to create programs and control the process, to see how it is done. It is very difficult to do so however. Much depends on the fact that we have institutional problems as well. I would be lying if I said that the composition of management cadres have changed qualitatively in comparison to what existed before.

Muratbek Imanaliev: Thank you. Now we address the most critical parameters of what is called energy policy in Kyrgyzstan. It is important to look at the management of cadre policy as a critical policy component, and the financial and investment base. In countries with transforming economies, there is a problem with privatization. It is also part of politics, as it raises many discussions, especially here. The question on whether or not it is necessary to privatize was always the subject of ardent discussion in Kyrgyzstan. I would like to ask the following question: Should the energy system be privatized? If yes – then how? By a shock method, or like it was done in China – slowly gradually, etc?

Abdyrashit Mukanbetov: According to our legislation, all issues on reorganization, restructuring, and privatization should be resolved according to the integral programs approved by Parliament. Such a program was approved with the participation of international experts and world donors from international banks. The program was successfully developed, derived from the experience of other developed countries, but neither the management team nor the staff were prepared for it. Certain problems appeared over the long years of Soviet power, and further within the vertically-integrated unitary systems of "Kyrgyzenergo." This network was divided practically into seven independent companies. Managers were appointed over the distribution companies, who turned out to be unready for this position, and did not understand how to do accounting, energy balance, etc.

The program on reorganization and privatization



of “Kyrgyzenergo” included four stages. Three out of them we successfully completed by 2001, when the system was divided into seven companies. At this point, our reforms were delayed. One might say that we entered a mighty river, crossed almost half of it, and then stopped. Excuse me for saying this, but standing there all this time, we froze already. We cannot turn back in any case. Therefore, it is not right to discuss whether change is needed or not. We cannot stop the process: if we try to return to the previous state, it will lead to even worse consequences. When some say that “Kyrgyzenergo” had good indicators earlier, when it functioned as one entity, I do not agree with their opinion, as it is not fully correct. At that time, at the expense of the export of electricity, we had income. Consequently, the supply of fuel to Bishkek housing and fuel system was not that painful. Critical problems of a lack of resources for repair, upgrading the lines and equipment, were resolved by the supply of a sufficient amount of money. When dividing the dividends on the state package of shares in electrical stations, generating companies were divided in certain ratios. Up to now, a 250 million som electrical station cannot pay dividends on its state package of shares, which is in principle ownership by the state. Electrical stations have 125 million soms of debt on their dividends, which is caused by the fact that distribution companies do not pay for their consumed energy on time. On the other hand, the policy pursued by joint stock companies or power generating companies leads to certain reflections: up to the present, we have not been able to ensure transparency in formulating a tariff policy. Though the former president, Akaev, said: “There is a consumer; sell a good and negotiate,” how are the negotiations held? This system still exists.

I would disagree with Ilyas Abdulovich in the opinion that all problems are derived from the lack of a single administration body. In the 2003 session of the Security Council devoted to this issue, a decision on the creation of a special committee and a special presidential representative on nuclear and electric power security was adopted. In three months, the rights given to this institution started to be taken back. Through three Presidential Decrees,

the authority and jurisdiction of this institution were gradually curtailed. Actually, it turned into a statistics center, while in the beginning the secretariat of this representative tried to replace administration cadres. Here, phone calls from all different sides were made: the presidential administration and deputies. That is to say – nothing could be done. It is possible to recreate the state agency on energy and the base of the Ministry of Industry – which is the Ministry of Energy. However, if not provided with rights, it is useless and nothing will come out of it.

Tayirbek Sarpashev: I want to add that this meeting is important, as it is not always possible to gather so many professional specialists together. You talked about special representatives and that the power is gradually taking their authorities. As we have touched the issue of corruption, I want to say that 20 thousand energy workers exist in the country. However, only 2-3 persons who were there under the presidency of Akaev remain there now as well – the same people; they have not even changed their surnames. They left on 24th, but returned the next day. Each time, policies are dictated by these 2-3 persons. They constructed the system in such a way that money flows directly to their hand; they pump money from the energy industry. The political leadership is not willing to conduct reforms. They somehow report to international institutions, but continue to do the same thing as they did before. Until we overcome this obstacle, we will not move further. Deputies can be divided into three groups: The first one includes people who understand the need for reforms, but do not trust the current government or the president. The second are people who know what to do in order to depose the current power; they will work against it, using this problem as an ideological weapon. The third group does not understand anything.

Muratbek Imanaliev: The question here is not that much about the energy industry and energy security. We have a deeper problem. Regardless of the regime, whether it is liberal or not, in our country, unfortunately, such a form of politics has established itself whereby personal interests, personal likes and dislikes,

become involved in the framework of state policy. In such a situation, it does not matter what kind of reforms are carried out.

For example, all international institutions insist on extensive privatization, believing that it is the right thing to do. Right in which sense? Right from the point of view of the way in which western countries developed. I can say for sure that in Vietnam there are no privatized electrical stations. The energy system belongs to the state, and private investors do not have any share in it. Nonetheless, such a system works as well. We need to learn from our neighbors like China, Vietnam, and Cambodia. They have a unique system, which cannot be called either communist as the one we had or liberal as in the west. The Chinese gave a name to their system – “socialism with Chinese peculiarities” – avoiding definitions that could prove unstable. It is socialism, but everything else which is unusual they refer to as Chinese peculiarities. Reforms carried out for twenty-five years have shown that economic, legal, state, and sectoral management is rather good, flexible, and allows for the achievement of objectives.

How should the system of management of the energy industry be built in our country so that we will achieve success? With what does it correlate?

Nuridin Abdylidaev: If we glance back and look at who we have in power structures and who closes their eyes on all these problems, then, as a manager, I can say that we will not be able to avoid such a system. We are forced to adapt to it. People, especially welders, and electricians, need work. Above all, we need to advance to a new level of quality in state management and the management that administers us. We live in a society. Therefore, one needs either to be a revolutionary, or to accept life as it is. While there is dependence on those who head the energy system, until private owners come to our facilities there will be no order. I believe that efficient control over the energy industry will be possible if electrical networks are left under state control, and everything else is sold.

Muratbek Imanaliev: Regarding corruption, it can be used either positively or negatively.

For example in Northeast Africa, the interests of elite groups are not corporate, and therefore interests absolutely oppose each other; there are no common national interests. Meanwhile, in states of East Asia, China and South Korea, corruption exists, maybe to a greater extent than in Africa, but interests of the elite group are built upon the national interests, so that corruption actually acts as a driving force of progress. Here, unfortunately, we do not have such elite: business elite tried to rise, but were quickly defeated. Therefore, it is difficult to talk about any elite; but in any case, there are people who are trying to do something. However, the level of corporativity amongst the deputies is hardly reflected: each group promotes its own interests. The same deputies who previously supported reforms are against, them as they have particular interests now. I would like to address a question to our guest – Azamat Temirkulov. We would like to get the opinion of an independent expert: What should Kyrgyzstan do? Many nice words were spoken here, but how can we budge things?

Azamat Temirkulov: Having heard the opinions of the specialist in this field, I have understood that corruption is the main problem. Until this problem is resolved, it will be difficult to move further. I conducted a small study: I had an idea about transferring the energy sector to concession, probably represented by international companies. The first question that arose was whether these companies would work for the interests of Kyrgyzstan, or pursue their own economic objectives. Probably there is an alternative way, and I tried to find it. There is a concept of developing the hydroelectric power industry, which is now being developed by the National Agency for Antimonopoly Policy.

Aigul Sultankulova: Yes, there is such a concept, but it is similar to Kazakh concepts. Therefore, it is not possible to be sure of its success. So you understand, an analysis should be carried out to determine the necessity of it and whether it is applicable to our country.

Muratbek Imanaliev: In general, Kazakh concepts do not always fit for Kyrgyzstan. Regarding investment, the issue is that we have a simplified understanding of investment



projects; we always try to politicize them. Let us take for example American investments in China: Americans invest money and create production. They produce certain goods, which are then transferred to the USA. What is the benefit for China? China gets taxes, work places, and some indirect profit, while at the national level China has a commodity circulation of over 700 billion USD. China invests this money into purchases of American state or private securities.

It seems to me that a reform should take place foremost in our thinking – it should be reoriented. A person who invests money is not necessarily one who comes to steal or to appropriate.

Nurdin Abdyldaev: Another moment: German investors work in our country exclusively within the framework of Kyrgyz legislation: they pay taxes, abide to all norms, etc. They get significant profits, and also pay significant amounts in taxes. What is the benefit for Kyrgyzstan? First of all, there are 2000 work places in Tokmok, 125 organizations that cooperate with these enterprises, which in turn imply several hundred work places. The Government did not have money to open and do what was done by the Germans. Protection of our national interests in the classical form should be as follows: before signing any agreements with an investor, it is necessary to discuss and reach agreement on everything: terms, conditions, responsibilities, rights, etc. If the investor does not comply with that plan, then the contract with him should be annulled immediately. The country would have leverage to regulate, represent, and protect national interests at the same time. Today, we have many examples of the investment of state resources in absolutely unproductive enterprises, for which the state is responsible.

Muratbek Imanaliev: What are the national interests in the energy sector? I think that Kyrgyzstan is one of the rare countries with no set of national interests per se. There is nothing to position, neither inside nor outside. This is the reason why we have failing foreign policy. It is not clear what we want. Talking in economic terms, national interests are a certain commodity, which should be packaged somehow: in some kind of force, either military,

economic, or financial. What are our national interests?

Abdyrashit Mukanbetov: National interest is a requirement to ensure the reliability and corresponding quality of our energy supply. The objective is to gain a profit, and therefore there is a need to combine interests within the constitutional contract, which will be reviewed by the Parliament and which can be canceled if needed. The only concern is that concession within the framework of the political contract is actually a long-term lease of assets. If we transfer the energy system to companies, how will they leave us with them in 10-20 years? However, the concession is good, in the sense that the property remains in the ownership of the state or of a Joint Stock Company.

Ilyas Davydov: Much depends on the professional qualities of cadres: if cadres are well distributed, then there will be reliability. We need to learn, to gain experience from other countries like Kazakhstan and Moldova. The level of reliability, the level of operation and maintenance, is different to maintain everywhere. This is the first reason. Second is that in Almaty, the energy sector was sold for 5 years and tariffs were raised by 5 cents. The former mayor of Almaty said: "I would better shoot myself." They redeemed everything for 100 million USD. Therefore, when considering concession, it is obligatory to agree upon reliability, quality, returns, attraction of investments, and training of personnel. Investors also come for profit, if it is in their interest.

Muratbek Imanaliev: This is a problem of semi-literacy. All our problems arise from the fact that we first sign, and then start studying the conditions.

Nadejda Davletalieva: I was most surprised by the company "Alyans." We have had the possibility to directly communicate with their personnel. Everyone had the opportunity to ask questions, clarify unclear details, and get consultations. There was no comprehensive reduction in staff, as is often done in other companies. A special department of management worked, and everyone was engaged in management,

even elderly specialists over sixty years of age. The head of the workshop said that he did not know what the management was per se, he was not interested in planning how it would be, as a department in charge of planning worked, and the specialist did not know where the money came from or who financed the production. Now the management starts from the employees. They assess the state of equipment, what should be done, develop a business plan and decide what to buy and what to produce. All decide together what to invest money in and discuss questions of security.

Aigul Sultankulov: All these problems would be resolved gradually, if energy security, our national interest, was a priority. I will mention the example of Armenia: they faced a similar situation: high corruption and poor energy supply. What did they do? The President of the country, Prime Minister, and Minister of Defense hired a manager, a citizen of Russia with rich experience, who proved his competence. His salary was 5 thousand dollars. However, when a person earns money legally and also enjoys the support of the top leadership of the country, it is ok. When someone tried to pressure or give instruction on what to do, he would make one or two telephone calls, and that was it. This scheme started working slowly: He could turn off one mechanism and turn on another one.

Nuridin Abdylidaev: It is natural that we cannot demand much from a person until we provide him with decent salary.

Azamat Temirkulov: I agree with the idea that however we position ourselves determines what kind of investors will come to our country.

Shairbek Juraev: For an average citizen, the issue of national interests is related to the fact that Kazakhstan and Uzbekistan are very much in need of our water, which we waste as we want. If this process would be controlled by private individuals, then the government would lose water as a leverage point. Does this problem exist?

Nadejda Davletalieva: The thing is that it was stated from the beginning that for the time being, the national production networks of

Kyrgyzstan would belong to the state; that is, they would not be transferred to concession or sold. Therefore, the issue of regulating water and energy resources is under the jurisdiction of the government, which is not disputed yet. Today, the question is only about the transfer of power distribution companies and the Bishkek city heating network. Even basic principles of regulating the water and energy process, developed by the Government, stipulate that investors can participate only in construction of new objects.

Abdyrashit Mukanbetov: Regardless of the fact that the control package belongs to the government, there are deficiencies. We have not signed a contract on regulating the water and energy balance of Baryn-Syrdarya basin with Uzbekistan yet. Today, unfortunately, we started letting water pass in order to export electric power to Kazakhstan and Russia. That is exactly what Uzbekistan needs: water is flowing in, and they are under no pressure to sign a contract to supply us with the gas that we need.

Muratbek Imanaliev: In conclusion I want to say that our country (at least in this region) is the only country where a national development concept is lacking. The word “concept” implies a certain strategy on the basis of national interests. Our neighbors – Kazakhstan, Uzbekistan, Tajikistan and others – have already elaborated a certain strategy for their national development, and we have nothing with which to oppose them. If we have nothing to oppose with, then it is difficult to be competitive in such a tough environment. Methods of force in the struggle for prosperity and a place under the sun cannot be abolished by anyone, no matter what we say as we witness it.

At this roundtable, we have once again become convinced about the necessity for a strategy for developing the energy system, at the base of which the problems of energy security would lie. As derivatives from this thesis – both cadre changes and financial and material bases will be resolved, provided that we put the whole system in order. Thank you all for your interesting statements.



DOES KYRGYZSTAN NEED RAYONS AND OBLASTS?

The history of our country logically leads to conclusion that we must create a new, effective system of territorial-administrative division based on national principles of social organization. This system must have only two levels: the center, with clear functional limitations, and a fully-authorized plenipotentiary local self-government.

Valentin Bogatyrev

Although more than once in history Kyrgyz possessions stretched for ten thousand kilometers, there were never any regions (rayons) or oblasts. The Kyrgyz method of social organization regarding territorial governance was always restricted to two formats: the governance of territory by clan, and governance by the activities of joint armies. In modern language, there was a central power with strict functional limitations, and a sphere of regulation and local self-government. There was nothing apart from that.

The system of sub-state territorial administration historically emerged as a consequence of a feudal-monarchical system of governance, that is to say, from a system that the Kyrgyz people had never principally experienced.

This system was introduced to the Kyrgyz community and into Kyrgyz land from two sides. The first time – to a lesser degree – it was introduced by Ferghana khanates through the system of local governors. Later, it was imposed by Russia after Kyrgyz lands were forcefully annexed. The Russian system of administrative division, which emerged from specific principalities (*udel'nie knyazhestva*) and modernized into provinces (*gubernatorstva*), *uyezds*, and *volosts*, was introduced into the Kyrgyz environment.

This system was received without particular resistance, since it opened the door for patrimonial elites to govern wider territories and communities, and since natural domination over other clans was acquired without wars or internecine fighting. Historical evidence shows that within this system of territorial-administration governance, new to the Kyrgyz

people, the struggle for ruling positions was serious, which has greatly spoiled the original mentality of Kyrgyz community.

Especially serious negative transformations took place during Soviet times, when the whole structure of administrative governance was formed based on a top down hierarchy.

Attempts to introduce some kind of economic sense into the system of territorial-administrative governance (divisions) did not bring any improvements, since it is hard to talk about the existence of any integrated economic cycle on such small scales. Any division into territorial “national economic units” (*narodnohozyaystvennie kompleksi*) was absolutely artificial. As a result, the division into oblasts and regions was in no way connected with either the realities of local social organization, or economic rationality, and became fully a means of political management (as happened in the Ferghana valley), or a natural geographic division into districts, as happened with the regions of Naryn and Talas.

The consequences of such divisions were disastrous.

First of all, many preexisting social groups (clans and group of clans) were artificially divided, which led to the beginning of the disintegration of the clan system, and consequently of the clan-based system of norms and values. If today we talk about the loss of social morals, then we need to understand that one of the main reasons for this loss is the “depersonalization” of clan system of social organization – the substitution of *manap* and *aksakal* authorities by that of chairman and *akim*.

Secondly, a process of isolation was started for certain territories in the country, rather than a process of integration and homogenization. Development planning and distribution of economic activities, financial and transportation flows were retained from country to oblast format. Today we have three sad consequences because of such a policy: (1) the division of the country and people into north and south, into the regions of Talas, Naryn, Osh, Chuy, etc., (2) the sharp differentiation in character and level between different parts of the whole country – the of Kyrgyz Government, and (3) the exceptionally weak development of the national communications network.

Thirdly, goal definition and development planning grew disengaged from the real needs of local communities. Pishpek (Frunze, Bishkek) and oblast centers began to concentrate more resources for development by replacing people's goals with the goals of the governing bureaucracy. An insurmountable gap was formed between cities and rural regions, between the center and the periphery. Inhabited areas and economic activities have started rapidly declining; villages (*auly*) and even small cities have been neglected in terms of economic, social, and cultural aspects.

Fourthly, a class of administrative heads was formed and began to multiply independently, who were neither real leaders of people or communities (since communities did not delegate them power), nor real managers or governors (since there was nothing to govern), but just distributors. This huge machine, consisting of "chiefs" of different levels, became a self-sustaining force that functioned basically for its own interests. An enormously inefficient country has been the consequence of this foreign system that was introduced into the Kyrgyz social substance.

There are other negative consequences of an economic, socio-cultural, demographic, and ethno-genetic character, which resulted from the historical fact that Kyrgyz people rejected their

own original system of social governance.

Anticipating the accusations of local modernists deriding a "return to the past, to archaic forms," it is worth making a statement that that governance based on local self-governance and on a limited and strictly regulated central government (which is exactly what we had before the Russians came) is not the past, but the future that all developed countries dream of and strive for today.

Having a millennium of experience with the lifestyle organized in that manner, we are now trying to introduce its "vaccinated" form, offered by western scientists. It is like drinking concentrated Coca-Cola instead of jarma: it is sweet, but does not quench one's thirst.

The history of our country logically leads to the conclusion that we must create a new, effective system of territorial-administrative division based on the national principles of social organization. The system must have only two units: a small center with clear restrictions on its authorities and functions, and a fully-authorized plenipotentiary local self-government.

Only five components must define the functions and authorities of the Center.

- The Center is responsible for the security of the country.
- The Center establishes and maintains rules on social behavior and economic activities.
- The Center establishes standards in education, health, and quality of services.
- The Center represents the country and protects the interests of its citizens in all foreign relations.
- The Center provides high-quality public services to the population.

In order to realize these functions, it is necessary to have no more than five Ministries and several national systems such as tax, education, health, law-enforcement (courts and local police), and a network of conveniently located public service centers, where people could get their pensions,



references, information, register business, etc.

This is a completely different system compared to the one which exists now.

Still, even the current system already has a number of components that are substantially pushed in right direction. In the presence of political will, it is possible in 3-5 years to implement real state reform, instead of that quasi-reform which has lasted for fifteen years and which has received great amounts of foreign funding from many international organizations. This assistance is still going on, and we will not see the end of it, because the real goal of the processes that is going in this area is to receive money for reforming, but without implementing actual reforms.

It is necessary to make one important warning here. If we do not want complete disintegration and chaos in the country, we should not make any radical changes without ensuring some conditions for transformation.

There are at least three such conditions:

1. It is necessary to create a qualitative legal platform, a package of laws that have provisions on innovations and descriptions of transitional regulations. Such a platform could be made within the frameworks of Constitutional Reform, if a new system of governance is envisaged in the new Constitution. None of current Constitutional drafts are oriented towards such a change.
2. It is necessary to break the resistance to reforms on the part of the current state machine. For that goal, it is necessary that
 - a) the project on reforming is developed outside of state structures, not under the direct patronage of the President;
 - b) reforms are discussed and accepted by civil society and parliament, and if necessary, on fundamental issues they should go through referenda;
 - c) we address the problem of adaptation for a huge army of bureaucrats, who will be left without jobs or their usual

status in the society. There should be a specifically designed program to this effect.

3. It is necessary to strengthen a new system of local self-governance.

The local level must be the leading, key level. Local self-governance must take the main responsibility for matters in the communities.

Thereupon, two important steps should be made.

The first one is to introduce clear differentiation between the authorities and functions of state agencies and those of local self-government. The direction in this case is singular: local self-government must become the basis of society. Only by delegating authorities to the local level is it possible to establish real democracy. The Government should be responsible only for those issues which cannot be solved locally.

Currently, there are two shortcomings in this area: confusing laws and cumbersome structure. Previously accepted laws on local self-governance should be carefully examined, as many norms contradict each other. Not only the heads of *ayil okmotu*, but even Bishkek theorists on local self-governance are confused as to who is responsible for what and who should do what.

The structure of local self-governance also needs improvements. Some think that we have too many *ayil okmotu*, and that we should reduce the number by half and make each twice as large so that all territories of local self-government become more self-sufficient.

The second step is to provide local self-governance with a real capacity to solve issues regarding the vitality and development of their territories. Under the current system of local budget formation, only a third of all *ayil okmotu* have the capacity for self-financing. Analysis done in some *ayil okmotu* has shown that local tax, excises, and non-tax revenues that form the income part of the budget make up 6.2 %

in Naryn oblast, 14.4% in Jalalabad oblast, in Osh city – 33.5%, and in Chuy oblast – 25.1%. At the same time, transfers (categorical, equalizing grants) to Naryn oblast stand at 89%, to Jalalabad oblast – 70.8%, to Chuy oblast – 40.8%, to Osh city – 40.0%. These figures indicate that the current system of local budget formation is absolutely incorrect. Not only does it not provide funding for local development programs, but it also does not stimulate *ayil okmotu* to increase their revenues.

In 2005, the combined incomes of the local budgets, without transfers, were only 20% of the national budget, and when taking into consideration their share in the national budget, then it is much less – almost 16%.

A contradiction is present between the policy of local self-governance development and its real financial and economic substance. In fact, local self-governance agencies are put on their knees before the central agencies, they are more concerned about receiving official transfers than about mobilization of local resources or local initiatives.

Serious steps should be made toward removing this contradiction. The share of local budget in the national budget should be increased by 1.5-2 times at minimum. During the process of budget formation for 2007, it is necessary to consider the possibility of delegating to local self-governments, aside from local taxes, such sources of revenues as (1) income tax, (2) taxes from licensing, (3) 4% taxes from sales turnover, and (4) property taxes, taking into account the sustainability of the whole budget system of the country, of course. This process could possibly take 1-2 years, but it must be started by today.

There is a need for financial decentralization. We must create such a system of income distribution as would disable the Ministry of Finance from being engaged in local self-governance. It is useless for the Center to distribute the money of local communities. Local self-government agencies must themselves be interested in

making the life of their inhabitants richer and in developing small business. This is the true path toward territorial development. This is real democracy. One could say confidently that today the Ministry of Finance is the main body behind the development of democracy in the country.

At the same time, of course, a different level of activity is needed on the part of local self-government. They must independently, under their own initiative, define their own development strategies, taking into account their own needs and resources. We do have such work experience. Two years ago, centers of local development were established in some communities, which were then united to the national network of development. This initiative did not find any support from state authorities or foreign donors at that time, and could not count on a new budget basis for local self-governance, since no such bases were implemented into practice. Currently, we need to come back to this issue and give to local self-government not only the right to the use of their own resources, but also the right to make decisions as to what needs they should be used to address.

Nobody aside from local communities will be able to make people's lives better and more comfortable in their little motherland – their own village or city, their own community – so that people would not have to move to Bishkek, Russia or Kazakhstan to earn money for life, family, and children and their education.

Thus, we have quite a big task ahead, but at the same time one that is clear and simple. Realization of this goal is quite attainable, not at all utopian – under one condition, of course: that society wants it. There is hope that decisions of such scale and level will be incorporated into the programs of political parties and other social forces.



COOPERATION BETWEEN CHINA AND KYRGYZSTAN AFTER MARCH 24, 2005

On May 25, 2006 the Institute for Public Policy hosted a round table on “Cooperation between China and Kyrgyzstan after March 24, 2005”. During discussion, participants of the roundtable gave general assessment of bilateral relations before and after the “Tulip Revolution” in Kyrgyzstan and discussed perspectives of political and economic cooperation between the two countries. The discussion was chaired by Muratbek Imanaliev, President of the Institute for Public Policy. The full transcript of the roundtable is available here:

List of speakers:

Kadyrbek Sarbaev, deputy Minister of Foreign Affairs of the Kyrgyz Republic

Zhang Yannian, plenipotentiary Ambassador Extraordinaire of the People's Republic of China to the Kyrgyz Republic

Jeenbek Kulubaev, deputy Executive Secretary of the Shanghai Cooperation Organization

Valentin Bogatyrev, director of the International Institute for Strategic Studies under the President of the Kyrgyz Republic

Erlan Abdylidaev, former Ambassador of the Kyrgyz Republic to the People's Republic of China

Marat Saralinov, professor of the Diplomatic Academy under the Ministry of Foreign Affairs of the Kyrgyz Republic, and Plenipotentiary Ambassador Extraordinaire of the Kyrgyz Republic

Almaz Biybosunov, director of the Public Foundation for Political Research “Project of Future”

Marat Chanachev, director of the Research Center on China and Regional Cooperation under the International Institute for Strategic Studies

Muratbek Imanaliev: Today, at this round table we would like to talk about relations with our biggest neighbor – China. At that, we are having this meeting on the eve of the first official visit of President Kurmanbek Bakiyev to China on June 9. I assume that the public organizations that deal with international relations could assist in the preparation for this official visit. In any event, for our institute, current relations with our neighbors, with China in particular, are issues of serious concern. Though you may disagree, I think that the foreign policy of our country faces problems in our relations with the biggest partners in the region. What should be done in order to advance to a more qualitative level in political, economic, and cultural cooperation? Certain problems are of great interest for Kyrgyzstan, considering that political and economic flows are passing over our country. Even Tajikistan, which is considered to be the poorest country in our region, is somehow managing its situation by receiving large investments from Russia, Iran, and China, and establishing relations

quite intensively. These flows are passing us by, however.

From my point of view, cooperation with China is one of our main avenues. I will remind you of the words of our ex-president, Akaev. When he was giving an interview to one American newspaper, he was asked the question: How does Kyrgyzstan envision its economic development without having an outlet to the ocean? Akaev ingeniously answered that the question was not correct, because Kyrgyzstan is located on the shore of the greatest ocean, China. I think these are very important words. In any case, I am deeply convinced that, current downturns notwithstanding, the low level of political cooperation with China (the fault for which I think lies on the side of Kyrgyzstan) and insufficient efforts in economic cooperation, all have only a temporary character. I believe in that.

According to their practices in international relations, as well as their rapid onrush of

development in all aspects of the term, we may say that China is one of the most economically important countries in the world. Furthermore, being one of the most important international actors, China will be the main partner of Kyrgyzstan in trade and economics, a situation from which we, de facto, cannot escape. Today, we need to think about how our economy will function in the so-called ruble-yuan monetary zone. I believe that this finance and banking structure will develop with time. In general, the institutions, scientists, and public of Kyrgyzstan need to give more serious attention to the research of China. We need to know the Chinese culture, language, economy, and people – their psychology. With this great country, we must establish cooperation that is effective and useful to Kyrgyzstan. We have an idea of creating a research center under our institute, which would focus on China and its relations with the Central Asian states. In this sense, we are ready to pursue serious and effective cooperation with the Research Center on China and Regional Cooperation, which is headed by Mr. Chanachev, and with the center that operates under Bishkek Humanitarian University.

Now, I would like to hear the official position of our government concerning this issue.

Kadyrbek Sarbaev: Let me express my gratitude for organizing this meeting, which is very important and necessary. Today, we are reaching conclusions regarding certain issues in Kyrgyz-Chinese cooperation as they have progressed throughout the year that followed the events of March 24, 2005. We, representatives of the Ministry of Foreign Affairs, hope very much that this meeting will contribute to the further definition of priorities in our relations with China. In the political arena, these relations have a systemic, balanced and reliable character, which directly facilitates efforts to make further use of available resources in advancing the spheres of trade and economic investment. Last year, not only could we maintain dynamic, positive movement in all priority avenues of Kyrgyz-Chinese cooperation, but, in fact, it should be stated that all aspirations of the Chinese leadership were satisfied regarding the increase of mutually-

beneficial connections between our countries. The Chinese side positively received the statement of our new leadership proclaiming devotion and continuity in our foreign policy toward China. The Chinese leadership also made a statement affirming the importance of friendly relations with Kyrgyzstan and their support for the new leadership of our country, as well as emphasizing the maintenance of sovereignty and stability, development of the economy, and improvement people's lives.

At the same time, China confirmed its readiness to continue rendering necessary assistance and support to our country. Bilateral meetings of state leaders, which were conducted in Astana on July 5 within the framework of the Shanghai Cooperation Organization (SCO) summit, received a high appraisal. We consider it as an official recognition of the new leadership in Kyrgyzstan. Working visits of the Ministers of Foreign Affairs, Otunbaeva Roza Iskakovna and Djekshenkulov Alibek, in December 2005 earned positive credit. Otunbaeva's visit was the first official visit by representatives of the new Kyrgyzstani government which indicated a high level of bilateral cooperation. During the first days after the events of March 24, 2005, a series of Chinese delegations visited Kyrgyzstan, and after one week, the SCO Chief Executive visited our country with his staff. During the meeting, support was expressed for the events that occurred in Kyrgyzstan.

Besides political cooperation, mention should be made of the positive dynamics in economic and trade relations. According to the data of the National Statistics Committee of the KR, the volume of trade turnover between Kyrgyzstan and China made up 129.5 million USD this year; that is to say, it has increased 7.8% comparatively over the last year. Export was 26.6 million USD, and import was 102.9 million USD. In addition, we were able to realize several big projects last year, construction of the China-Kyrgyzstan-Uzbekistan railway for example. There had been no movement on this issue up until that time, but during our meetings we were able reach an agreement on this project at the expert level. Furthermore, Chinese experts have finished restoration of one part of the Osh-Sarytash-Irkeshtam highway,



with a length of 17 km. Last year, the Chinese government continued to provide humanitarian aid to Kyrgyzstan: eighty-five million yuans were allocated to the implementation of socio-economic reforms.

However, there is also series of problems, first of all regarding the misbalance of trade to the advantage of China, stabilization of the investment climate in our country, and domestic trade disputes. Second, attention must be given to the improvement of international trade infrastructures, including customs points, transportation, and banking services. The customs services of our countries need to perform verifications on each other, as the data on sales differ by up to 800 million USD. Third, it is necessary to concentrate our efforts on realizing several projects of great potential for us, such as the construction of the China-Kyrgyzstan-Uzbekistan railway line, complete restoration of the Osh-Sarytash-Irkeshtam highway to a second check point which connects us with China, and other projects in the energy sphere. Our experts are conducting consultations on the transferal of electrical energy through China to "third countries," as well as the exportation of great supplies of electrical energy to China. We are not able to simply supply it now; currently, we do not have enough electricity transmission lines. In order to build the lines, we need approximately three million USD, and in order to make returns on that money, there must be a long-term agreement with China. Fourth, the sphere of communication is quite a prospective area. These avenues should be the focus of our attention. In addition, there is a need to take into account the fact that China is growing and developing economically, and that the growth rates are high. We should establish relations with and adapt to the experiences of the neighboring autonomous regions of China.

In our opinion, one of the paramount tasks of the two countries is the consolidation of joint efforts for achieving the program of cooperation in trade and economy until 2014, which was signed two years ago. One of the priorities and prospective directions for cooperation between Kyrgyzstan and China should be the development of mutually-beneficial cooperation within the framework of the SCO. We are

vesting big hopes that the new government will achieve previously set goals and objectives on the acceleration of our economic development. A grant for 900 million USD given by Chinese government has begun to be implemented, as evidenced by the cement factory and other projects that are under consideration by the Chinese government. Now, there are negotiations with "Ineksimbank" of China, whom the government commissioned to give credits under certain conditions. Tajikistan and Uzbekistan, for example, are taking credits on a governmental guarantee, which we cannot afford to do because of our large debt. We have to develop other schemes of attracting these credits without governmental guarantees.

I would like to thank the organizers of this meeting, because there is need for a breakthrough in our relationship. Positive relations have been maintained; that is to say, the main task for this year has been achieved. We need to go further, to open new prospects and prioritize our directions. Right now, we are working on organizational issues involving the state visit of President K. Bakiev to China June 9-10. After that, on June 15, there will be an anniversary summit of SCO in Shanghai. We think that these upcoming visits symbolize the strength of sustainable development of China-Kyrgyzstan cooperation.

Muratbek Imanaliev: I would like to address a more concrete question to our guest and friend, Chinese Ambassador to the Kyrgyz Republic, Zhang Yannian: What are the interests of China regarding Kyrgyzstan after the events of March 24, 2005?

Zhang Yannian: Dear guests and friends, it is an honor for me to be present at this roundtable, at which we are discussing relations between China and Kyrgyzstan after the events of March 24, 2005. On behalf of the Chinese Embassy in Kyrgyzstan, and from me personally, I would like to express my sincere gratitude to all participants of this roundtable. As everybody knows, after the events of March 24, great changes have taken place in the political situation of the Kyrgyz Republic, which still faces serious tasks in the achievement of stability and development. However, due

to the wisdom of the Chinese and Kyrgyz leadership, the relationships between them continued to develop further. The new Kyrgyz government has many times confirmed its foreign policy, including its policy towards China. The Chinese government respects the choice of the Kyrgyzstani people, and supports efforts directed toward the development of its sovereignty, protection of territorial integrity, maintenance of stability, economic development, and improvement of people's living standards.

We are satisfied with the current relations between Kyrgyzstan and China. The leaders of our two countries are in constant communication. Earlier, representatives of China and then acting President Bakiev met during the SCO summit in Astana. Bilateral meetings were held, during which many important agreements were reached. During and after those bilateral meetings, the heads of the two governments exchanged opinions on the realization of their agreements. A special representative of China's Chairman was present during Bakiev's inauguration as president, and met with the heads of parliament and government. Such kinds of contact play an important role in the development of relation between two countries. In the sphere of economic development, there is a certain success, about which Mr. Sarbaev has already spoken. According to Chinese customs data, in 2005 sales have increased more than 60%, reaching 970 million USD. Representatives of the Chinese government are encouraging Chinese enterprises to invest capital in Kyrgyzstan, to create new factories here. Our economy has achieved great successes, but China continues to be a developing country with a large population. However, that fact notwithstanding, the Chinese government provides Kyrgyzstan with humanitarian aid according to its capability. In 1995, China presented to the Kyrgyz government 70 million USD on a grant basis. Furthermore, some Chinese governmental bodies have provided certain Kyrgyz structures with material and technical assistance.

We hope that stability will be established in Kyrgyzstan. We also hope that assistance and credits on behalf of China will be used

correctly, contributing to the development of the economy and the improvement of people's lives in Kyrgyzstan.

In 2005, the number of Kyrgyz citizens who had visited China reached 20 thousand. In addition, Kyrgyzstan and China are actively cooperating within the framework of the United Nations and SCO, international and regional organizations. Since the events of March 24, relations between China and Kyrgyzstan have been strengthening, and have now reached a stable basis for constant development. They correspond to the vital interests of the two countries' peoples. The treaty on good neighborliness, friendship, and cooperation between China and Kyrgyzstan until 2014 has defined a line of development in the relations of the two countries. In May of last year, acting president K. Bakiev said: "Kyrgyzstan should come back home to Central Asia. It should develop relations with neighboring countries." On May 12, 2006, during a meeting with heads of state from Germany, China, Kazakhstan, the USA, Japan, Hungary, and Poland, he said that Kyrgyzstan has established close relations with its neighbors. Our cooperation extends to the territory of the former USSR, and only then to the European countries and the USA. Without exaggeration, China constantly follows good-neighborly relations, stands up for the security, stability and peace of our neighbors, for the general prosperity of our neighbors' economies. I am confident that, under the guidance of our leaders and through our general efforts (including today's meeting), our relations will certainly receive further close cooperation.

Having read your invitation, I understand that this round table is meant as preparation for giving recommendations to K. Bakiev's visit to People's Republic of China. This is a very important visit. As is known, visits are subdivided into four categories: state, official, private, and working. This visit is the highest – on the state level, and it has great importance, as well as the visits of two ministers of the Ministry of Foreign Affairs. China very much appreciates the attitude of relations between our countries. During this visit, the heads of two countries will exchange their opinions concerning a deepening of mutual trust and



expansion of cooperation, and will discuss concrete economic issues. I am confident that this visit will be successful, and that China will become a still better neighbor, friend, and partner for the Kyrgyz people.

Muratbek Imanaliev: We shall continue our roundtable, and the floor is given to Erlan Abdyl daev, the former ambassador of Kyrgyz Republic to China.

Erlan Abdyl daev: Dear colleagues, I would like to touch on some themes concerning the relations between China and Kyrgyzstan after March 24. Some aspects of my speech will correlate with the previous speakers. Other aspects will differ. Yet, we all have a common conclusion: all of us hope and believe in stability, and in the pragmatism and reliability of our relations. Since the events of March 2005, passions have not been quenched. A political strike continues in the country, using methods of street democracy. It is quite obvious that without achieving a consensus between the new authority, new opposition, and civil society, this process of contention can take on a long-term character, which will not expedite Kyrgyzstan's exit from the current economic and political crisis. The uncertainty and unsteadiness of the country's internal political situation is aggravated by uncertainty in the new administration's foreign policy priorities. Domestic instability and frailty result in instability and degraded priorities in the foreign policy of the country, and also in spontaneous, not well-thought-out foreign policy actions and statements, which can have long-term negative influences. Within one year, we have observed the multi-vector statements – in their essence and content – of our leadership concerning both our neighbors and major powers. All these factors also affect relations with our neighbor, China.

Before the visit of President Bakiev to China, I would like to state my thoughts concerning the present condition and prospects of our relations. That is to say, it would be expedient to state a real assessment of our interrelations with China from 1991 to this day – what could be put in an active balance, and what could be put in a passive balance for this period. Certainly, the areas of political, defense and border

security cooperation could be considered a positive achievement. In contrast, despite the growth of figures in bilateral trade which were stated previously, and the intensity of economic relations at the local level, I would nevertheless put trade and economic cooperation in a passive balance of our relations. According to the experts of many countries, we have achieved a high level of political and military cooperation in the post-soviet period. As evidence, we could site the following examples: the exchange of credits at the top-level and the signing of a range of important documents, such as the treaty on good neighborliness, the agreement on the settlement of border issues, the agreement on the struggle against separatism, extremism, and terrorism, the Shanghai and Moscow Agreements, etc. As Ambassador Zhang has stated, these agreements were the stabilizer of our relations after the events of March 24, and they have stood the test of time.

It is also necessary to note that Kyrgyzstan has invariably supported China on issues that are especially sensitive to Beijing: issues with Tibet and Taiwan, the struggle with Xinjiang separatism, etc. These issues have implications for Kyrgyzstan also, for its territorial integrity, and here again, Beijing has also invariably supported the efforts of Kyrgyzstan to maintain our sovereignty and independence. Similar assistance has been rendered when the south of Kyrgyzstan experienced attacks by terrorist bands. Such close cooperation invariably found reflection in the documents signed in recent history. The fact that China, for the first time in its history, carried out antiterrorist exercises on the border, involving the transferal of military units across the border, in October, 2003 also demonstrates a high level of political trust and close cooperation. China has continued to carry out similar exercises not only within the SCO framework, but also with other countries. Our high level of political understanding will also allow us to solve a boundary dispute between China and Kyrgyzstan on a mutually-acceptable basis. It is necessary to note that the given question was a key issue throughout the 1990's. The development of relations in other spheres was directly dependent on the issue of a boundary dispute. Ratification of the border agreement by the parliaments of

the two countries has finally led to the signing of an important treaty between our countries on good neighborliness, friendship, and cooperation, and has given a certain push to the development of relations in other spheres. I think all of us have felt a certain turn of interest toward us on the part of China.

Some figures might serve to demonstrate this point: in 2001, by Chinese estimations, trade turnover between our countries was no more than 100 million dollars. In 2005, it reached 700 million dollars. As a whole, the political interaction of the countries naturally fit in the foreign policy strategy of China in Central Asia. Within the framework of this strategy, Beijing considers Kyrgyzstan as a political partner; priority issues have been and are on the border, the support of China's positions on Taiwan and Tibet, and the joint fight with Xinjiang separatism and terrorism. During the last years, one more project has been added – the American military presence in the region. Beijing does not actively move against the US base, but does nevertheless assert that the given base has temporary character, and informs us that they are against any expansion of the base's mandate beyond the Afghanistan frameworks for any reason. For the former leadership of Kyrgyzstan, removal of political tensions in relations with China and establishment of good-neighborliness with it were priorities in foreign policy. At the same time, the advancement to a certain level of political cooperation with Beijing was considered by Bishkek as a basis for expanding connections in other areas, in the economic sphere first of all – the attraction of investments and realization of large economic projects.

However, if the first political objective was reached by the previous leadership, the economic objectives have remained unrealized. Absence, or better to say failure in promoting economic cooperation with China is not an exceptional case for us. Failures are due to the fact that this cooperation has been much politicized by both countries, as well as to a lack of good management, correct calculation of projects, and voluntarism in decision-making. Such a fate, as everybody knows, has grasped the Kyrgyz-Chinese paper-mill, match factories,

etc. Large-scale politics is present even during the discussion of constructing the China-Kyrgyzstan-Uzbekistan railway, and also of the export of Kyrgyz electrical power to China. Both projects concern not only sociopolitical aspects of two countries, but also political and economic interests of third countries.

These exact circumstances, along with indistinctly designed economic and financial aspects, most likely do not provide a basis to hope for their realization in the near future.

If speaking about present cooperation, the events of March 2005 and the resulting political developments in the country have caused a suspicious attitude on the part of Beijing. Despite the obvious aggravation of political crisis in the autumn of 2004 and winter of 2005, the Chinese government did not expect the sudden fall of the former leadership of Kyrgyzstan and rise to power of oppositional forces. Vigilance and anticipation on the part of Beijing towards the new authorities of our country are caused by a range of circumstances: continuing instability in Kyrgyzstan; the absence of unity, not only between the branches of government, but also in the governmental team on key questions of strategy development for the country; the rise to power of some oppositional leaders who advocate anti-Chinese positions; instability in the priorities of the new leadership; a lack of clear continuity, common approaches, or consistency in our political course concerning China; the growth of destabilizing factors in frontier areas; and the strengthening of the western, first of all American, influence. Together, these factors mean that the expectations of Beijing for K. Bakiev's forthcoming visit will be connected, first of all, to a political component of cooperation. It seems like the Chinese leadership wishes to clarify as much as possible not only the position of the president on key questions of bilateral relations in regional and a world politics, but also our firmness and invariance in a long-term prospect. For Beijing, the main issue is the opportunity to establish and restore mutual political trust between the two countries. The desire and readiness of Beijing for this step will depend, most likely, on the firmness of position of the new Kyrgyz leadership on questions related to issues involving Taiwan and Tibet,



the joint fight against Xinjiang separatism and terrorism, reform at the Security Council of the United Nations, and also continuity and adherence of Kyrgyzstan's leadership to previously-signed treaties and agreements: on the settlement of border issues, and on the American presence in Kyrgyzstan.

On the first two questions there should be no complications, but on the rest it is necessary to show political will during the decision-making process, because they touch not only internal political apportionments within country, but also mutual relations with other countries of dominant importance all over the world. An official statement of the president of the KR on firm adherence to prior-coordinated arrangements and agreements, in spite of the presence of internal political opponents, will facilitate the restoration of an atmosphere of political trust, as well as prospects for the realization of large economic projects. Questions on the American military presence in Kyrgyzstan and on the reform of the Security Council also will be on the agenda of the future visit. China has repeatedly declared that it understands and shares the position of Kyrgyzstan, which has given an air base to antiterrorist coalition forces in the struggle against terrorism in Afghanistan. The given decision was coordinated by the former leadership of Kyrgyzstan with partners in the CSTO and SCO, and has found reflection in the corresponding documents of the United Nations. However, China firmly supports the definition of time restrictions on the American presence in Manas, and is against expansion of its mandate. I think that this position of China is justified, does not contradict the obligations of Kyrgyzstan to the USA, and coincides with the position of the Russian Federation.

China, which does not consider Kyrgyzstan as an economically prospective country, will not likely initiate independent projects during the visit, except for in the mining industry. In addition, the railway construction and export of electrical power are disputable due to economic efficiency and expense. Not less than 2 billion dollars are required in general. A separate question on the agenda, most likely, will be the granting of credit to Kyrgyzstan, either through bilateral cooperation or in the SCO framework.

It is not in the interests of Bishkek to discuss the previous bitter experience of Kyrgyzstan receiving credits. More precise calculations of projects are necessary in order to avoid difficult financial positions or scenarios of failure. The possibility of a failure, taking into account all factors, is quite a bit higher.

As a whole, I believe that the president's visit will mainly have a political character, and will aim at conclusion to the prolonged pause in Kyrgyz-Chinese relations which developed after the March events. It is not realistic to expect from this visit breakthrough decisions in the area of economics. First, it is necessary to restore trust between the leadership of the two countries. The new, fourth generation of Chinese heads differs fundamentally from former heads who grew in concert with the Soviet Union. The people with whom our president must have difficult negotiations are pragmatists, technocrats. It is difficult on the one hand, but if decisions will be accepted on the basis of a healthy pragmatism, they will undoubtedly be stronger, determinable and stable. Without such visits at a high political level, we can hardly expect any advancement.

Muratbek Imanaliev: Thank you. I would like to comment on two important points, one economic and one political. Within the last year, I frequently heard from many politicians that Kyrgyzstan cannot support China on the issues connected with Xinjiang and Uighur separatism. I think that Kyrgyzstan supports the Chinese position on the struggle against separatism not because we make a courtesy to China. The problem is much more complicated. The position of Kyrgyzstan originates and should originate from its own internal problems. The problem of separatism, in any form, potentially exists in this country. Therefore, by supporting China, Kyrgyzstan supports itself, which should be clear to the new leadership of the country. If they do not understand this point, then they will not understand the problem of separatism. And the second issue I want to mention: I remember well that at the end of the 90s and beginning of the 21st century, the Kyrgyz side openly agreed on the issues of supplying electrical energy to China. Unfortunately however, our government became confused regarding its own interests and the interests of the country, so that nothing

could be reached. To what extent is China now interested in it? There is a political component, as well as an economic one. In 2000, the production increase was approximately 27,000 megawatt, which, in order to translate into kilowatts, must be multiplied by 1000. In 2003, the increase was more than 40,000; in 2007-2008, the increase will be 80,000 megawatt. In Russia, energy production will be 1,6 thousand megawatt, which surpasses Chinese energy production fifty times.

Marat Saralinovich, what do you think? What are the portrait characteristics of China, its factors and their importance to Kyrgyzstan? What does China mean to us and to all of Central Asia?

Marat Saralinov: I agree with many of the theses which have been elaborated, and I would like to say that for China, it is not important what color a cat is, black or gray, so long as it catches mice. That is to say, it is of no importance whether the state is big or small; the main thing is that this state is stable and reliable. In other cases, it is not necessary to cooperate or make any long-term plans. Since this round table is occurring on the eve of the president's visit to China, I would advise our heads and diplomats to be extremely fair and objective with the Chinese heads and diplomats. It is necessary to ensure that their information coincides with the information provided by their ambassador. It is also necessary to define our national interests. That is to say, the visit should be prepared very carefully. It is possible to make casual remarks on projects, but the main need is to concentrate on convincing the Chinese side in the advisability of maintaining cooperation. As for the Ministry of Foreign Affairs, it has done its work fairly and nobly. We have accomplished things that were necessary for the country: the som has been maintained, and great investments have been attracted, for which even many CIS countries cannot be praised. Still, economic cooperation with China has failed. We named a paperboard mill as a "sample of the Chinese-Kyrgyz cooperation." In order to not repeat such occurrences, it is necessary to define professionally and objectively some objectives which would not demand too much time or resources, so that

cooperation would be pragmatic. We speak much, but do nothing. Let's construct a cannery. We have the raw materials. The government has to provide duty-free import of the equipment from China; this is in our interests. Visas should be issued for professional workers from China without delay. China is a rapidly developing country. Growth rates are high. I am simply delighted by China, and I would like them to share their experience with us. At present, we cannot do the same things.

Muratbek Imanaliev: How is the Kyrgyz public's traditional conception of China displayed? How are they reflected in the interrelations with China at present?

Valentin Bogatyrev: Thank you for the interesting question. I think that while answering this question, I will also touch some economic issues.

Maybe we were taught in this way, or maybe we are such people, but we always live with myths. Included is the fact that there are many myths about China. There are four most widespread myths. The first is a myth which spread about fifteen years ago about Chinese migratory expansion. Everyone shouted that Chinese people were buying houses and apartments in Naryn. Fifteen years have passed, and I do not see many Chinese people here, but the myth continues to live. When somebody says that Chinese workers will arrive here, imagine what kind of reaction there will be. There are no agreements yet regarding whether railways will be built or not, whether Chinese people will work there or not, or whether they will stay here temporarily or forever.

The second myth is that China is interested in Kyrgyz electrical power. I specially visited Xinjiang in April, met with experts, and they were surprised: "Why do you think so? We have enough electric power ourselves."

The third myth is very widespread, that China is rich and can give us money, can pay for everything. We are going to sit on a narcotic needle of grants, at present on a Chinese needle of grants, which is very dangerous. When somebody gives a thousand units of



technical equipment, I have one question: what will be done with it? It will for certain be plundered, taken away, or resold. It seems to me that China, while always aspiring to assist Kyrgyzstan, should not repeat the same path as the West did, by giving grants and thereby corrupting the country and people.

The fourth myth is about the immense Chinese market, into which it is possible to enter with Kyrgyz goods and sell successfully. This is an illusion, which many of our citizens have. I will state that the Chinese markets are more prospective for us than the markets of Kazakhstan, Tajikistan, or Uzbekistan, because they have a slightly different structure. For example, nobody makes "SHORO" in China, while in Kazakhstan somebody does make "SHORO." In China, there are niches where we could sell our products, but it requires work. We cannot simply go there and sell everything we want. Moreover, we do not know how to do that. About factories: I think, they should not be built here. The problem is that the modern economy develops through technological clusters, blocks in which goods pass in a chain from raw material up to final products. If we become part of such clusters, we shall successfully cooperate with China. Such kind of cooperation is necessary for us – not simply a factory, but an opportunity to work with the large companies, within their structures and networks.

Marat Saralinov: There were such kind of attempts, but it did not result in anything. No cluster could be made. It is better that Chinese people help us to sell raw materials. The most important thing, in fact, is marketing. If they arrive and say that there will be a cannery here in half a year, nobody will tell them a word.

Muratbek Imanaliev: There is also such a concept as an aqua-cluster. We have mountains and water, the largest natural resources. Water is a base of economic development. It can be used not only for watering, but also in public health services and industry. It is possible to cooperate in this area not only with China, but also with Tajikistan and Uzbekistan.

Valentin Bogatyrev: The most interesting fact is that it is very difficult to enter the water market.

How are we planning to do it? It is better if our water will be produced under a large Chinese brand. More important however is that the water have a label which would indicate that it is produced in Kyrgyzstan, in the same way as we sell paper, though it is made in Tashkent.

In addition, I will touch cultural aspects. For a long time, I have had an idea of establishing a Chinese university in Central Asia. I have shared this idea with the Ambassador. Recently, I even visited the mayor of Tokmok city and suggested a visit to Beijing about this idea, referring to the fact that near Tokmok there is a house where Lu Bou lived. It should not be a university like Bishkek Humanitarian University, where just language and culture are taught, but exactly a Chinese university, where instructors would be Chinese specialists. They would teach finance, in which Chinese people have succeeded, and other subjects. There is a need for initial investments. The project would be commercial, and so people would have to pay for education.

Unless we form a common area of meanings and language, things will be very difficult for us. I am glad that our youth is showing great interest in the study of China. I do not understand why there are so many our students in Turkey. What do they have to learn there? By the scale of influence, and by neighborhood, we need to study in China.

Muratbek Imanaliev: Thank you. I have such an impression that few people in this country realize what the SCO means to Kyrgyzstan. Please tell us about its major points.

Jeenbek Kulubaev: Basically, the SCO is earning a very good image. This year we are celebrating SCO's fifth anniversary. This organization is developing dynamically because political, rather than economic factors prevail on the agenda. Lately, approximately 40 delegations from different countries have visited the SCO Secretariat, and asked the same question. This question was very serious. During this year, many political statements and declarations were made; yet, in the sphere of economy we have not produced anything. Western countries, in particular Japan, are

interested in whether the SCO is still a military-political block or whether it will carry out a large political project lead by Russia and China? This is a very important question. Participation in the SCO is advisable for us, because it is an elite political club. However, if members receive no economic benefits, then after some time the SCO will simply become an “economic cooperation” that just produces many papers. It is necessary to fear this possibility. Firstly, there is no coordinating body on the SCO in Kyrgyzstan. There is a national coordinator, but he does not have the authority to give instructions on economic structures which would have any result. Secondly, lately several Ministers of Economics and Finance, Ministers of the industry of Kyrgyzstan, have changed, which directly influences the country's economic approach to the SCO. People from different ministries come to the SCO's meetings; there is no continuity. In the end however, each meeting of the SCO is worked out in details. In other words, I want to say that we cannot participate here in economic terms anyhow.

We, first of all, are interesting in China as a region. I am not speaking as a representative of the Ministry of Foreign Affairs, but as representative of the SCO. Currently, we are trying to reach an agreement on the Uzbekistan-Kyrgyzstan-China railway, but Uzbekistan is ignoring our bilateral relations and refusing to have any negotiations. In other words, the project is hanging in the air. There is an idea to continue the project on a bilateral basis, but the fact is that the project has a regional character, and the line cannot work without a continuation from Jalalabad to Torugarta. In that case, the project will be forgotten. We need to use the President's visit and the SCO meeting in order to compel Uzbekistan work with us through China. I remember the difficulties with which we initially agreed on Uzbekistan's membership in the SCO. We warned beforehand that the SCO is a prospective organization; there is no need to enter for one who would impede any SCO activity. Now we already see the first features of such behavior from Uzbekistan. The president does not have visits every day; therefore, we must use the upcoming state visit in order to make China an intermediary in Kyrgyz-Uzbek relations, so to put an end to this issue and

continue the experts' work on the SCO project.

Muratbek Imanaliev: The idea of railway construction also relates to many of our internal issues. China and Uzbekistan do not need this road as much as we do. Our disorder and corruption have led to the complete end of negotiations on the railway. Stories about connecting Shanghai to Rotterdam in some ways resemble stories about Manas. The idea of constructing this line as a whole involves forecasting economic relations between China and Uzbekistan. Though the idea has been maintained, there is no sharp need for the construction of this line, as there is for the line that would connect China and Kazakhstan. I am afraid that an idea to use China as the intermediary between Kyrgyzstan and Uzbekistan would be unsuccessful, because China will not agree to use political mechanisms in its relations with Uzbekistan to compel Tashkent to agree with our idea. It seems to me that the Kyrgyz people see it in this way: The Chinese will construct this road from their own money, and then will leave it in our hands, allowing us to do anything we want. My recommendation is not to raise this issue on railway construction. It will make an impression that Chinese people do not know politely refuse us with the export of electric energy and railway construction. This is just not a serious discussion.

Jeenbek Kulubaev: You are talking about quite reasonable things, but we can raise this issue in the future because it is anyways perspective to China – more outputs are better for China. We also cannot just abandon the issue.

Muratbek Imanaliev: I think China will strongly complicate this situation if it stretches the road from Ferghana to Xinjiang – from one difficult Muslim region to another. The Chinese need to think one hundred times before deciding.

ErlanAbdyldaev: I also think it is not necessary to burden these negotiations by such projects, where neither the economic risks, nor the political ones have been well calculated. In addition, there is no need to compel the Chinese side to make any statements. The railway can possibly be a good project, or possibly we



will not know or be able to control where this 9 billion USD investment goes; that is to say, we can simply bury this money in the sand. Moreover, there is no stability in Kyrgyzstan. It is much better to consider all risks on the expert level and ensure that this project is beneficial to China and to us from an economic point of view. We already had a bitter experience with politicized projects. Why do we need another one?

I find unrealistic the idea that the SCO will help us solve our problems. Economic cooperation in the SCO framework is seriously slipping today. There is no joint approach between Russia and China in certain areas, and unless they establish defined aspects in all spheres of their relations, economic cooperation within the SCO framework will continue to slip. Currently, everybody says that we have many projects in the SCO, but from where should the money for those projects be taken? Russia will not give it. Kazakhstan and China can give, but for what projects? What are the results of the SCO on its fifth anniversary, except for cooperation in the military-political sphere? The organization has become bureaucratic, and disputes are arising within, all of which should be avoided.

Muratbek Imanaliev: It is necessary to note that from the very beginning, the mission of the SCO was in the provision of security. The economic component arose during a later period, while even security issues have not been smoothly regulated in the SCO. The fifth anniversary is a holiday, but it is necessary to think what to do next. I have a question to Mr. Chanachev: What perspectives do you see in the development of Kyrgyz-Chinese cooperation? Taking all factors into account, what importance does it have for China and Kyrgyzstan?

Marat Chanachev: Concerning the clusters, I would add that Kazakhstan has used them very well. Large capital investments go toward realizing development of the western areas of China, in particular Xinjiang. If, in 2003, the GDP of Xinjiang was 182 billion yuans, direct investments were about 100 billion yuans, or twelve billion dollars – almost half of the GDP. To develop Xinjiang, with such a population, is a large, capital-intensive project. Kazakhstan

has entered this niche quite well.

Even during Akaev's regime, the head of Xinjiang visited Kyrgyzstan and wanted to develop trade relations. China, by investing great capital in the Xinjiang, is creating a significant potential there. Sooner or later, it will be necessary to enter Central Asian markets. This idea can be considered during the development of joint projects on developing the western regions of China, in particular the Xinjiang.

I also wanted to tell why there is a great difference between Chinese customs data and ours. To understand, it is enough to go Batkenskiy and Dordoy markets. This issue has been elaborated greatly in the framework of the SCO, and I have discussed it with Russian specialists. People already opened free trade zones long ago, because trade has advanced to higher level – from retail trade to wholesale. This phenomenon is especially appreciable regarding storage terminals. Transition in the market to direct communications between manufacturers and sellers is also characteristic: through Chinese cities, passing Urumchi market, the consumer himself searches for goods of favorable price and quality. We can also observe the transition of the market to yuan currency, or to som here. The nomenclature of goods has changed, whether the products are spare auto parts or furniture; the manufacturer passes goods to the consumer. Here again it is necessary to note that a free trade zone is one of the primary levels of integration. People have already found this form, while the governments still have not. Negotiations have been taking place for too long a period of time. I agree with Valentin Borisovich that it is necessary to educate people not just in simple humanities, but to prepare a staff that will be able to work in such conditions. Sooner or later, other countries too will enter the SCO.

Muratbek Imanaliev: Thanks very much to all of you.

ARBITRATION TRIBUNAL: FOR THE EFFECTIVE PROTECTION OF BUSINESS FROM GOVERNMENT

Today, in disputes with entrepreneurs, the Government represents both a disputing party and at the same time an arbiter. This circumstance induces Kyrgyz entrepreneurs to look for methods beyond the legal frameworks to resolve their disputes. Experts conclude that there is a necessity to delegate the functions of dispute resolution between Government and business to the International Arbitration Tribunal.

Esenbek Urmanov, advisor to the director of the Public Fund “Bishkek Think Tank Projects”

The optimal model for the relationship between state authority and business has been always an object of quest in capitalist countries, since the economic welfare of the population, survival of the country, and realization of ambitious objectives set before leaders depend exactly on this model.

In Kyrgyzstan, this issue is topical and relevant as never before. The experience of excessive intervention by state agencies and their representatives in the activities of entrepreneurs through tax, custom legislation, licensing, etc., distorts entrepreneurial activities and makes the country's business climate unfavorable for investors. In fact, it is hard to find a case throughout the years of independence when the investments were attracted with the consideration of national interests. State officials are interested in the prosperity of certain sectors, which is why Kyrgyzstan's economy engenders favoritism, corruption, ordered bankruptcy, and repartition of ownership. As a result, the growth of investments and the economy are hindered overall. Business prefers neighboring Kazakhstan.

Lately, there have been attempts to improve

the form of relationships between state structures and representatives of the private sector. Currently, representatives of business associations and state structures are discussing the Tax Code, which in its current version meets neither the interests of entrepreneurs, nor economic realities. The Ministry of Economics and Finance, together with representatives of business associations, is starting to develop a new law on investment. Customs inspection is attracting businessmen to its Public Council for the improvement of legislation. The Office of the General Prosecutor is introducing a draft of the decree on the creation of a standard list on the audit of business structures by state bodies for the President's consideration.

However, these measures are not able to solve the problems of our business climate completely. In order to improve the current situation and to find the optimal model of relationships between state authority and business, it is first necessary to ask: how are the rights of businessmen protected. In Kyrgyzstan, it is unsafe and risky to have a business, which has been proved by a number of examples in which the Government has illegally interfered in business activities and created an unfavorable image of the country:

Recall of a license from the company “Kyrgyz Air”

In July 2003, the Department of Civil Aviation recalled a license from the air-company “Kyrgyz Air” for civic air service on the Bishkek-Moscow-Bishkek route. According to a statement by the air-company's management, the Department of Civil Aviation did not have reasons for the withdrawal of the license. Moreover, the state department violated the procedure of revocation of the license. During the negotiations, the parties did not solve the conflict, which led to the end of the air-company's activities. In that year, the founders of the company immediately filed a claim to the International Arbitration Tribunal in London against state agency of Kyrgyz Republic – the Department



of Civil Aviation (Government of the KR) – in the amount of several million USD (the sum cannot be disclosed now for several reasons) on the basis of investments expropriation by the Government of the KR. Currently, the arbitration proceeding is still in progress, causing enormous expenses and damages. In November 2004, the air company “Kyrgyz Air” was declared bankrupt, and is now in the process of liquidation.

Detention of meat importers at the custom’s office

In February of this year, a big consignment of chicken meat was illegally detained. The reason for the detainment was refusal by custom inspectors to register the arrived load. The chicken meat was produced in Brazil and the U.S.A, where the pesthole of bird flu was absent. The meat products had gone through several examinations, and the Department of Veterinary Affairs had stated that the products were safe to use. Nonetheless, the importers, whose load was in the custom’s office, experienced heavy losses because of the forced stoppage.

Cutting off the NTS channel’s regional broadcasting

On May 1, 2006 the channel NTS, which has earned a reputation as a professional and objective mass media source, was deprived from regional broadcasting. On NTS frequencies, the EITV channel, which was established on the basis of Osh-3000 channel last year, started broadcasting. Without going deeply into the underlying political reasons, it should be said that NTS has lost its orders from clients, advertisers and part of its audience.

In many cases, entrepreneurs do not publicize these kinds of facts and do not appeal to state courts on economic affairs, because they do not believe in the possibility of just resolution of disputes or do not want to waste their time on prolonged dispute investigations. There are three instances in state courts during dispute investigation: the first court, the court of appeal and the supervision court, which overall take more than one year, which is of course unacceptable to the entrepreneurs. It is much more profitable for businessmen to pay off state officials or satisfy the claims of the state agency. Obviously, this practice does not promote business development in the country.

The question arises: how to resolve the disputes which emerge between businessmen and the Government? It is possible to give several recommendations and outline the consequences of the implementation of each recommendation.

It would be logical to follow the general recommendations which are given by almost all interested parties. In particular, it is necessary to

improve the skills of state specialists, increase the transparency of their activities, optimize tax and custom legislation, the order of licensing, etc., improve the functions of the court system through opposition to corrupt judges, and rule out the dependency of the judicial branch on the executive and legislative branches of power.

The above listed measures were declared a long time ago, but no real results have been felt. Unfortunately, any programs for business development and protection by state agencies are sabotaged by state bodies that are not interested in changing the essence and character of their work. Radical reformation of state agencies and the court system require a lot of time, efforts and resources.

International arbitration tribunal

In this case, the option of delegating authorities on dispute resolution between businessmen and the state agencies of KR to the International Arbitration Tribunal (IAT) under the Trade-Industry chamber of the KR (TIC of the KR) is quite attractive. This

measure, approved on the legislative level, has provided efficiency and objectivity during the consideration of economic disputes between businessmen and state agency.

Firstly, delegating the above described powers to the arbitration tribunal changes the state approach to business regulation and the discipline of state officials radically, by punishing them for

Arbitration Tribunal

The arbitration tribunal, according to Kyrgyz legislation, is an individual arbiter or board of arbiters which resolves disputes that occur as a result of civil relations, in which the sources of accepted decisions are the agreements of the disputing parties, business culture and norms, as well as current practices in considering disputes of a similar category.

The main advantages of the investigation procedures of an arbitration tribunal are:

- Protection principles regarding the concrete interests of disputants on property, including the possibility to choose an arbiter;
- Contestation of the disputing parties;
- Speed and economy of trial proceedings;
- Absence of the publicity found in lawsuits;
- Convenience for the disputing sides regarding the time and place of dispute resolution.

By the initiatives of the conflicting parties, the arbitration tribunal provides a wide range of choices on arbiters (the judges of the arbitration tribunal) from a list of independent and qualified experts.

In September 2002, the International Arbitration Tribunal under the Trade-Industry Chamber of the KR, which is standing arbitration, was officially registered in the Kyrgyz Republic. At the present time, the list of arbiters on the International Arbitration Tribunal includes 112 experts from 15 countries of Europe, North America, and Asia, including 53 international arbiters from England, Sweden, Russia, Kazakhstan, U.S.A., France, Ukraine, Uzbekistan, Netherlands, Byelorussia, Turkey, India, Romania and Croatia. The list of arbiters includes not only lawyers, but also experts in economics, finance, and business. Decisions of the arbitration tribunal come into force after their pronouncement, and are not subject to appeal.

irresponsible and illegal activities.

Secondly, the rights of national businessmen will be equalized with the rights of foreign companies by the legislature. At present, only foreign investors have the right to appeal to the arbitration tribunal, according to the law of the KR "On investments" (Article 18, part 2, paragraph "b").

Moreover, this measure meets the economic interests of Kyrgyzstan, since state agencies would be able to secure their positions when bankrupt and improper foreign companies threaten to file a claim to International Arbitration Tribunal in London. This measure excludes the expenditures for state personnel related to dispute resolution proceedings abroad, and positively influences the international image of Kyrgyzstan. Hence, the delegation of warrants to the International arbitration tribunal under the TIC of the KR would

partially bring the Kyrgyz economy into conformity with the theoretical requirements and practices of a liberal market economy.

It is necessary to proceed from the fact that disputes between businessmen and state agencies arise in any case, despite the quality of developed or practiced legislative norms. Today, disputes are examined in state courts on economic affairs. In such disputes, the Government represents not only a disputing party on one side, but also an arbiter on the other side, which is fundamentally wrong. Delegation of the authorities on dispute resolution between private entrepreneurs and the Government to the IAT under the TIC of the KR would allow quick and efficient solutions on such issues as the protection of the rights and investments of businessmen without financial and time costs.